مكتبات الأصل

Austria ... Sch22	Indonesia ... Rp3100	Portugal ... Esc140
Bahrain ... Din0.650	Israel ... IS3.50	S.Arabia ... Rls7.00
Belgium ... BFr48	Italy ... L1600	Singapore ... S$4.10
Canada ... C$1.00	Japan ... Y500	Spain ... Pta125
Cyprus ... C£0.75	Jordan ... Fils500	Sri Lanka ... Rup30
Denmark ... DKr9.00	Kuwait ... Fils500	Sweden ... SKr9.00
Egypt ... E£2.25	Lebanon ... $US1.00	Switz ... SFr2.20
Finland ... Fmk7.00	Lux ... LFr48	Taiwan ... NT$65
France ... FFr6.50	Malaysia ... Rin4.25	Thailand ... Bt50
Germany ... DM2.20	Mexico ... Pe300	Tunisia ... Din0.800
Greece ... Dr100	Morocco ... Dh6.00	Turkey ... L900
Hong Kong ... HK$12	Neth ... Fl3.00	UAE ... Dh6.50
India ... Rup15	Norway ... Nkr10.00	USA ... $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Ø No. 30,501 Tuesday March 29 1988 D 8523 A

Why Vancouver has a spring in its step, Page 24

World News

Fresh talks could lead to departure of Noriega

Panamanian military leader Manuel Antonio Noriega had agreed to send an emissary to a meeting with Central American leaders in Costa Rica that could pave the way for his departure, Reagan Administration officials said in Washington.

The meeting was called by Costa Rican President Oscar Arias and would include a representative of the Spanish Government which had offered to give Noriega safe haven if he stepped down. US considers tougher action, Page 6

Gephardt drops out of presidential race

Congressman Richard Gephardt, who won early victories in his Democratic presidential bid by vowing to get tough with US trade partners, quit the contest yesterday.

The announcement followed his poor showing in the Michigan caucus on Saturday. Dukakis needs big win, Page 6; Reagan rebuke, Page 24

Israel to aid Iran probe

After more than a year of negotiations, Israel and the US prosecutor investigating the Iran-Contra scandal announced they had signed an agreement covering Israel's co-operation in the probe.

Honduras withdrawal

The US began withdrawing combat troops sent to Honduras earlier this month because of an alleged Nicaraguan invasion, a US embassy spokesman in Tegucigalpa said.

Floods hit W Germany

Non-stop rain and melting snow swelled rivers and flooded communities throughout West Germany, forcing the evacuation of thousands of people and killing at least three. Page 2

Spy suspects held

West German security services detained six men on suspicion of spying for the KGB, the Soviet secret service, in the second series of arrests of suspected Eastern bloc spies within a week. Page 24

South African raid

South African soldiers crossed into Botswana and killed four alleged ANC guerrillas in a house in Gaborone, military headquarters in Pretoria said. Page 4

Belgian coalition talks

Flemish Christian Democrat politician Jean-Luc Dehaene, asked formally by King Badouin at the weekend to form a Belgian Government, was due to complete his first round of talks with leaders of the five parties he hoped to join in a coalition. Page 3

Portuguese stoppage

Portuguese unions held the biggest general strike in the country's history in protest against government plans to liberalise rigid labour laws. Page 2

France moves N-tests

France said it would move some of its nuclear tests from the South Pacific atoll of Mururoa to a nearby island, to guard against possible radioactive leaks.

Gadaffi pledges pull-out

Libyan leader Muammer Gadaffi announced he would withdraw all Libyan forces from the Egyptian border and said he had no intention of using force against his neighbour.

Vanunu appeals

Former nuclear technician Mordechai Vanunu appealed to Israel's Supreme Court against an 18-year prison sentence for treason and espionage. Page 4

Modigliani sold for £4m

An anonymous telephone bidder paid more than £4m ($7.4m) for a painting by Modigliani, a record price for the artist, at Christie's auction rooms in London.

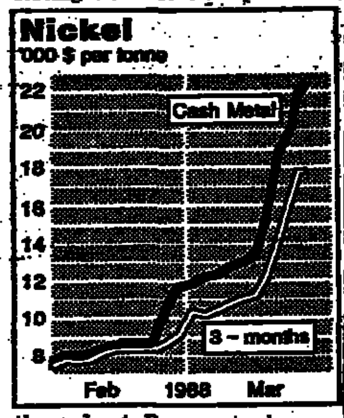
Business Summary

Trump pays $400m for New York's Plaza Hotel

THE PLAZA HOTEL, one of New York's most famous landmarks, has been sold for nearly $500,000 a room to Donald Trump, arguably the city's most brash developer. He is paying about $400m, one of the highest prices ever for a US hotel. Page 25

BARCLAYS BANK SA, French subsidiary of the UK clearing bank, reported heavy losses for 1987 following its parent company's decision to increase provisions for sovereign debt risks. Page 28

NICKEL prices continued to set records on the London Metal Exchange. The rapid price rise is forcing stainless steel producers



throughout Europe to impose emergency surcharges. The cash price closed at $22,200 a tonne, up $450 from the close on Friday. Page 38

WALL STREET: At 1pm the Dow Jones industrial average was down 3.32 at 1975.63. Page 48

TOKYO: Investors shrugged off the yen's renewed rise against the dollar and stepped up buying of large-capital stocks, sending prices soaring. The Nikkei average closed 301.99 points higher at 25,622.71. Page 48

LONDON: Preoccupation with Wall Street and concern over the dollar kept leading investment funds out of the London market. The FT-SE 100 index closed 21.4 lower at 1,746.5. Page 44

DOLLAR closed in London at DM1.6610 (DM1.6755); FFr5.6275 (FFr5.6850); SFr1.3705 (SFr1.3860); and Y124.15 (Y125.30). Page 37

STERLING closed in London at $1.8590; DM3.0875 (DM3.0775); FFr10.4625 (FFr10.4400); SFr2.5475 (SFr2.5450); and Y230.75 (Y230.00). Page 37

NEWS CORPORATION, Rupert Murdoch's master company, has been refused a listing on the Tokyo Stock Exchange. Page 27

VOLKSWAGEN, West German motor group's issue of nearly 5m shares closed oversubscribed as the share price followed the market down to close barely above the offer price of DM238. Page 28

BCE, former Bell Canada Enterprises, struck a deal with Roderick Bryden, Ottawa entrepreneur, which will give his Kinburn Corporation, management holding company, a C$263m (US$212m) cash injection and interests in two companies. Page 25

GULF CANADA Resources, large Canadian energy group, has sweetened its bid for Asamera, apparently winning control of the Calgary energy production and exploration concern. Page 25

CHICAGO Mercantile Exchange set permanent price limits on its Standard & Poor's 500 stock index futures contract as part of its continuing effort to calm volatility following October's stock market crash. Page 28

VARITY, Canadian farm equipment and industrial engine maker, reported highest operating earnings since 1976. Page 25

VALEO, French motor components group, returned to the black last year with net profits of FFr360m ($63.3m), after a loss of FFr308m in 1986. Page 26

GLAVERBEL, Belgian glass maker which recently took a 20 per cent stake in AFG Industries of the US, unveiled a near fourfold increase in net profits for 1987. Page 26

Azerbaijan strikes hit wider Soviet economy

A WIDESPREAD strike in the disputed region of Nagorno-Karabakh practically shut down industry and halted rail transport to other parts of the Soviet Union as the largely Armenian population pressed its demands for reunification with Soviet Armenia, writes Leslie Colitt in Moscow.

Pravda, the Soviet Communist Party newspaper, yesterday issued a rare report acknowledging the stoppage, which was the largest in memory in the Soviet Union. Pravda said "people's absenteeism" had aggravated the economic situation in the region as well as in the entire Soviet Republic of Azerbaijan which has governed Nagorno-Karabakh since 1923.

The strike over political demands presented the Soviet authorities with a challenge unlike any in recent months which have seen limited strikes by Soviet workers over work-related demands.

In a plea to striking workers, Pravda said that in order for an emergency development programme for the region to succeed, machines were "not to stand idle, freight wagons had to be unloaded and field work resumed."

Pravda said freight cars with oil products and refrigerators bound for other parts of the Soviet Union stood unloaded at the main station in Stepanakert, the region's capital, which was the scene of mass demonstrations last month. Local government authorities in the region had voted to rejoin Armenia last month, but the demand was rejected by the Soviet leadership.

The Soviet Government newspaper Izvestia reported that students boycotted classes in Nagorno-Karabakh and children were being kept away from kindergarten. The minority Azeri population said it would not work as long as the Armenians were striking. Izvestia said meetings of the local party organisation last weekend had led to premature hopes that the strike could be ended. It estimated the cost of lost production at Roubles 7m($11.8m).

In Yerevan, capital of Armenia, residents were officially reported to be working yesterday. Inhabitants of the city had largely remained indoors at the weekend apparently following a call by Armenian nationalists to shun the city's streets after the authorities banned a planned demonstration. A massive presence of troops and police in Yerevan helped keep anger over the ban from erupting in protest. There were no reports, however, of troops being sent into Nagorno-Karabakh which indicated the authorities did not want to further exacerbate tensions in the area.

Israel seals off Gaza and West Bank amid general strike fears

BY ANDREW WHITLEY IN JERUSALEM

ISRAEL last night sealed off the occupied West Bank and Gaza Strip for three days in an unprecedented move aimed at dampening widespread demonstrations expected to take place tomorrow.

Security sources said daytime curfews would be enforced in certain areas, particularly in Gaza, along with other administrative measures designed to restrict internal movement by the 1.5m Palestinian population.

Travel across the Jordan river bridges into Jordan, an important economic lifeline for the occupied territories, will also be halted.

To prevent news of disturbances getting out, both the local and foreign media are being banned from entering the occupied territories, except with an army escort, until Friday.

Press freedom has been progressively curbed in recent weeks in the belief that the presence of the media acts as a spark for further violence.

Israel's own 700,000-strong Arab minority is due to hold a general strike tomorrow – a traditional Palestinian anniversary known as Land Day – in solidarity with their brethren across the pre-1967 Green Line border.

This gradual emergence of a chasm from between the two groups is causing deep alarm within the Israeli Government.

A Franciscan priest appeals to an Israeli soldier on the West Bank after troops fired on Palestinians attacking a police station

Mr Yitzhak Shamir, the Prime Minister, yesterday appealed for national unity in facing the 16-week-long unrest in the occupied territories, which has claimed over 110 Palestinian lives, as well as in dealing with the peace initiative mounted by Mr George Shultz, the US Secretary of State.

An army statement broadcast on Israel Television's Arabic language service said that in the interests of maintaining law, order and security, the West Bank and Gaza Strip were being declared "closed military areas." The order came into force at 10 pm last night in the case of Gaza and 1 am for the West Bank, to give time for day labourers in Israel to return home.

Although the blanket restrictions are due to be lifted on Friday, Israeli politicians said privately last night that another turning point may have been passed in the army's handling of the unrest. Defence Minister Yitzhak Rabin is coming under mounting pressure from all sides.

Continued on Page 24
Shamir statement, Page 6
Chill winds hit EC-Israel trade, Page 7

Markets edge lower amid economic fears

BY SIMON HOLBERTON

FINANCIAL markets in Europe and North America edged lower yesterday as signs of a decline in the dollar rekindled fears over the health of the world economy and US financial markets.

The dollar, which has been sidelined over the past weeks, lost 1½ pfgs and Y1, in nervous and active trading in Europe. Sterling resumed its advance, after Friday's disappointing trade figures, to end the day higher by a pfennig and 2 cents.

Concern over the outlook for the dollar and US financial markets depressed prices and turnover on most stock exchanges around the world, with the exception of Tokyo. In continental Europe, all major exchanges closed lower on the day.

In London share prices fell sharply for the third trading day in succession as primary dealers marked prices lower in an apparent attempt to stimulate investor interest. The FT-SE 100 Share Index closed 21.4 points lower at 1,746.5 and the FT Ordinary Share Index ended 13.9 down at 1,394.4.

On Wall Street, where share prices had opened sharply lower, there were signs that prices had stabilised by midsession. The Dow Jones Industrial Average was just 0.17 points down at 1,978.78. In the bond market, however, prices for the 30-year long bond were almost a point lower at 101⅛ to yield 8.748.

Some analysts hoped that the strong performance of the Tokyo market yesterday would give a lead to other markets and prove that last week's sharp falls in equity prices around the world was just a temporary correction and not the beginning of another bear phase for the market.

In Europe, however, investors seem less confident. Although many are prepared to concede that share prices are currently at reasonable value, few are willing to buy. The turnover of shares in London and other European stock markets is low and mostly stimulated by primary dealers.

Investors are still suffering from the shock of the events of October and November last year. Added to this there is generalised concern over the state of US fiscal and monetary policy.

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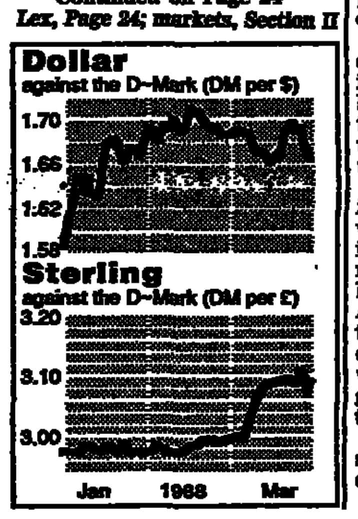
Lex, Page 24; markets, Section II

UK Bank Governor *testifies on sterling*

British central bank Governor Robin Leigh-Pemberton yesterday said that the British authorities' aim was to promote exchange-rate stability as long as it was compatible with efforts to hold down inflation. He was seeking to clarify policy towards sterling in testimony before a parliamentary committee. Page 24



Airbus managers face cost control shake-up

By Guy de Jonquieres, International Business Editor, in London

PROPOSALS for tighter and more effective management of the Airbus Industrie consortium are to be made in a report due to be submitted soon to the governments of the four countries involved in the project.

The report, by a panel of "wise men," is expected to recommend that the sales and manufacturing activities of the consortium be brought together under a single management team, which would exercise firmer control over costs than in the past.

It is expected to be discussed by ministers of the four European countries at a meeting early next month.

At present, the sales effort is handled by Airbus Industrie, while responsibility for manufacturing is split between the four partners in the project: Deutsche Airbus of West Germany and Aerospatiale of France, each with 37.9 per cent of the consortium, British Aerospace with 20 per cent and CASA of Spain with 4.2 per cent.

The divorce of sales and manufacturing has been singled out as a key weakness in Airbus Industrie's management structure, since it does not allow for effective supervision and control of costs. This has become a particularly high priority in view of the decline of the dollar, the currency in which Airbus sales are priced.

As well as permitting better overall management of the project, the reorganisation favoured by the authors of the report would involve much more detailed analysis of costs and more sharing of information between the four partners. At present, none of them knows precisely the costs of the others.

One consequence of tighter cost disciplines could be to increase pressure for more of Airbus manufacturing to be put out to competitive tender by sub-contractors who are not partners in the project.

That could prove controversial in France and West Germany, where Airbus is viewed as an important source of business for national aerospace industries. However, mounting losses on Airbus sales due to the decline of the dollar are also causing concern in all four governments, which want to avoid having to give further financial support to the project.

The report is believed to stop short of calling for the public disclosure of more information

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China's old guard wakes up to voice of democracy

BY ROBERT THOMSON IN PEKING

VOICES of dissent echoed around the Great Hall of The People yesterday as the Chinese Communist Party encouraged delegates to the country's parliament, the National People's Congress, to dabble in democracy.

Unusually, they were heard; in the past, only the leaders on the Great Hall's stage had microphones, but yesterday they were placed around the hall for the delegates to have their say.

Earlier, Song Ping, a state councillor, told the congress that 14 ministries would be compressed into 10 as part of an attempt to trim the country's obese bureaucracy. About 10,000 central government staff will be relocated, retrained or retired and overlapping departments are to be merged.

In the most important of the changes, the State Economic Commission, which had a general economic brief, has been abolished, and some of its staff transferred to a new State Planning Commission, which has kept its old name but, to its fury, has lost the right to control short-term planning funds, and will concentrate on the medium and long term.

The dissent was not over the overhaul, which has long been expected, but came during the selection of members for congress committees. Before the congress began, a Hong Kong delegate, Miss Lisa Wang, a television celebrity when not a politician, had promised that she would not be "just an arm-raising machine".

When delegates appointed members to a committee responsible for science, culture, education and public health, instead of a "yes" in unison, an agricultural scientist representing Taiwan province took Miss Wang's lead and objected to the re-election of an 89-year-old as chairman

"He is too old and should be given more time to rest," argued Huang Shunxing, 65. "We should provide more opportunities for the younger generation to display their talents."

The congress's standing committee will apparently consider his objection, seven more negative votes, and 89 abstentions when selecting the committee.

Taiwan to raise gold purchases

BY BOB KING IN TAPEI

TAIWAN seems set to become the largest buyer of gold in Asia, bullion dealers believe, after the lifting in November of long-standing government restrictions on private trading in the metal.

Total purchases this year could well reach more than 200 tonnes, it is estimated, given the amount of gold declared at customs in the five months since the restrictions went.

That compares with official imports of 242 tonnes by Japan, until now the region's biggest gold buyer, last year.

Neither the Taiwanese customs service nor the Finance Ministry have revealed the import figures, but incoming passengers through Taipei and Kaohsiung international airports are known to have declared 59.1 tonnes of gold, despite a 5 per cent duty, in the five months to February 29.

In addition, possibly far greater amounts of gold will have been smuggled into the country. The figure does not include either the 40,000 ounces of gold coins and the roughly 1 tonne of bullion bought since last August by the Central Trust of China, the government-owned body responsible for handling large commodity purchases.

The Central Trust estimates that it has sold about 5,000 ounces of coins – mostly Australian Nuggets and Canadian Maple Leafs – a month since last August.

The Taipei branch of Hong Kong-based Hong Foo Gold Bullion Trading, one of the big three bullion dealers in Taiwan, said it had sold an additional 5,000 ounces of coins in the last four months.

According to Mr K K Ma of Hong Foo, Taiwan is now "one of the largest consumers of gold in Asia." He estimates that 60 per cent of his customers buy coins as an investment, another 20 to 30 per cent to do trading of their own, and the remainder as gifts and souvenirs.

The Taiwanese have tradition-

Continued on Page 24

CHIRAC GOES IN SEARCH OF THE FARM VOTE

France's Prime Minister puts the emphasis on agriculture in his quest for presidency, Page 3

Roman muddling adds to costs of delayed N-plant

BY JOHN WYLES IN ROME

THE mounting cost of indecision in Rome about the future of the three quarters completed nuclear power station at Montalto Di Castro was increased by at least another L55bn (£24m) yesterday.

With work on the plant to the north of the capital again halted by political disagreement, the outgoing Government of Mr Giovanni Goria agreed yesterday to pay full wages to more than 3,000 workers involved in the construction.

Employees in some of the 70 sub-contracting companies involved will also benefit.

The main costs, about 80 per cent, will fall to the state in the form of full unemployment pay, while the balance will be paid by Enel, the state electricity authority.

This arrangement has been guaranteed to run until May 15 by which time it is hoped that a new government could take a final decision on whether to complete the plant or to convert it to another fuel.

Construction

This further delay adds to the estimated L55bn costs of the halt to construction first called last November following a referendum which produced a large majority against the nuclear power station construction programme.

Work was supposed to resume a fortnight ago but was stopped after a few days because the mayor of Montalto revoked the local authority's permit to build.

This provoked some very determined demonstrations by the construction workers for renewed wage guarantees which reached their climax last Friday with an unauthorised march by around 500 on the Prime Minister's offices in Rome at the Palazzo Chigi.

Huge numbers of police were deployed to defend the Government and the demonstration passed off without incident.

Nevertheless, it was sufficient to persuade the hapless Goria Government to accede to the unions' demands.

Victims

The workers are only victims of the coalition parties' inability to agree on future energy policy in the light of the referendum.

This was not a straightforward plebiscite on nuclear power but has been interpreted as such by the Socialists in alliance with the opposition Communists, the Greens and other left-wing parties.

In his attempt to devise a policy programme for the next coalition, Mr Ciriaco De Mita, the leader of the Christian Democrats and prime minister designate, is now proposing that the future of Montalto be decided in the framework of a new national energy plan.

This suggests that he is not inclined to confront Mr Bettino Craxi, the Socialist leader, on the nuclear issue and that the final outcome will be an expensive and time consuming decision to convert Montalto to either gas firing or oil/coal/gas polycombustible system.

This would add up to L8,000bn to the L4,500bn already spent on the plant and delay its completion by three years or more until 1993-1994.

Europeans back more Third World aid

By William Dawkins

A GROWING number of Europeans think their governments should give more to help developing countries, according to a survey released by the European Commission yesterday.

Yet the study, the result of interviews of more than 11,500 people across the the European Community, also shows that a significant majority of respondents in the three largest member states are worried about being submerged by the Third World's population growth.

Nearly two thirds of Frenchmen confessed to such anxieties, as did 60 per cent of the West German sample and 58 per cent of the British respondents. This the survey puts down to the high number of immigrant workers in those countries, though age and right-wing political persuasions were also factors, it said.

Overall, three quarters of the sample still thought EC aid for the Third World should be encouraged, 7 percentage points more than in a similar study three years ago. The survey makes no attempt to reconcile the apparent conflict between Europeans' wish to help the Third World and their anxieties about population growth, beyond pointing out that 61 per cent of them think aid should be concentrated more on encouraging self-sufficiency.

Only a fifth of the respondents could imagine Third World countries as fully fledged economic partners for the Community, while 50 per cent thought that the main reason for the developing world's relations with the West was its need for aid.

Haig Simonian marks a little-noticed East German motoring landmark

Trabant coughs its way into a fourth decade

WHILE TEARS are being shed for the passing of the Citroen 2CV, the tortoise-shaped vehicle that has been the joy – or frustration – of French motorists for the past 50 years, an important German motoring landmark looks like going unnoticed.

Thirty years ago, a privileged few in the fledgling German Democratic Republic had their first chance to take to the roads in a Trabant, the angular little two-door runabout which remains a regular feature of driving in East Germany today.

Only the deaf, dumb or blind could miss the Trabant, which is made in Zwickau, a small industrial town in a former mining region near Karl Marx Stadt in the south-east.

Like the Wartburg, its slightly larger and marginally more modern four-door cousin produced in Eisenach, on the border with West Germany, the Trabant's two-stroke engine produces a smell and sound that are one of a kind.

Both cars emit a thick and unpleasant cloud of petrol and oil fumes which makes them more instantly recognisable from behind than any number of four-stroke vehicles.

But it is to the touch that the Trabant is probably most distinctive. While manufacturers throughout the West are jockeying to discover the best use for sophisticated new composite materials in the cars of tomorrow, in what now seems a revolutionary step – though one which was probably born of post-war necessity – the Trabant's body has always been made of plastic.

Indeed, the car has barely changed since the first early sketches in 1956, and unnecessary luxuries like an interior light or a petrol gauge remain absent.

True, putting along in the rust-free Trabant is not to be compared with cruising along the Autobahn in a high performance West German saloon, some of which are now designed to go so fast that they have to be fitted with special devices to limit their

Like the Wartburg, its slightly larger and marginally more modern four-door cousin, the Trabant's two-stroke engine produces a unique sound and smell

speed.

Excessive velocity is no danger in the Trabant. With its 26 horsepower motor, it lurches from 0 to 60 km/h in 32 seconds – five seconds longer than it takes for the latest 300 horsepower BMW V-12 saloon to cover a full kilometre.

Plans to replace the engine, which was originally developed in the 1930s, remain under wraps, although the East German authorities are fully aware of its environmental drawbacks. The two-stroke engines emit only one tenth of the nitric oxides of more modern four-stroke counterparts, but they give off five to 10 times as much in more damaging hydrocarbons.

Moreover, the status of the engine plant being set up in East Germany in co-operation with Volkswagen remains slightly unclear. While 100,000 of the 300,000 engines it is destined to produce are scheduled to be exported to VW in the West, the use for the remainder is uncertain.

The East German authorities may be tempted to sell the lion's share to bigger Eastern bloc car manufacturers. However, according to some reports, the first prototype Wartburgs with four-stroke engines have recently been spotted in East Germany itself.

Despite its age and lack of go there is no shortage of interest in the country for the Trabant. Waiting lists for the car, which costs some DM9,000-DM11,000 (£3,000-£3,600), against some DM23,000 for the Wartburg, are said to stretch up to 12 years – appreciably longer than the delay for the latest 12-cylinder BMW saloon, which has become many West German chief executives' dream.

The East German authorities are keen to step up vehicle production, which reached 228,000 units nationally in 1986.

The Trabant remains the country's most produced vehicle, with total output of 144,000 in 1986 against 74,000 Wartburgs, according to the West Berlin-based Informationsbuero West. Almost 3.5m cars were registered in East Germany in 1986, well up on the figure of just over 3m in 1984, but the number of car-owning households remains way below that in West Germany.

Indeed, woefully few outside the country have had the chance to savour the Trabant. Unlike the Wartburg, which has been exported to the West, sales abroad have been limited. One agreement with Czechoslovakia, under which Trabants were exported against imports of Czech Skodas, did not last.

Green 'fundis' lose ground

BY DAVID GOODHART IN BONN

THE PARTY machine of the West German Green party will continue to be dominated by the fundamentalist "fundi" wing after its three-day annual congress in Ludwigshafen. However, there is some evidence that the more pragmatic "realo" wing, which controls the parliamentary group, is gaining ground among activists.

The fundis comfortably retained control of the ruling executive committee, which they continue to dominate by eight seats to the realos three. But on most of the other important issues the realo/fundi division was either blurred or moving in the realos' favour.

In one important sign of a weakening of its anti-establishment instincts the party has, for example, voted to apply for the generous state funding available to set up a nominally independent research institute. Although the party has had enough electoral support to qualify for such an institute for several years it was only at the end of last year that it accepted the idea in principle.

The realos also came very close to winning a crucial vote on the economy and unemployment which centred on the recent comments of Mr Oskar Lafontaine, one of the two deputy chairmen of the Social Democratic party, who suggested that shorter working time will only create jobs if pay is also cut. Realo speakers pointed out that this idea, with the emphasis on pay cuts only for better paid workers, had featured in the Green manifesto in the 1983 election.

The Greens – who still command over 8 per cent of the national vote – still provide slender evidence that they know where they are going. The centrist "neutralo" faction talks grandly about combining fundi ideas with realo political pragmatism but at a national meeting just before the conference they attracted only 40 people. The Greens "strategy conference" in June has its work cut out.

Gloomy outlook for Finland's economy

BY OLLI VIRTANEN IN HELSINKI

FINLAND'S ECONOMY is heading for slower growth, a deeper balance of payments deficit and higher unemployment, according to a forecast by the ETLA research institute, which is financed by Finnish industry and *other economic organisations.*

The outlook for the next two years spells gloom for Finland. The country will remain on the 3 per cent growth track this year but only because last year's results were affected by crop failure, says ETLA. Without growth in farm products back to "normal levels" GDP would grow by only 2 per cent this year. In fact growth in industry and the service sector will slow by 1.5 per cent.

With 63 per cent of exports going to European Community and European Free Trade Area countries, Finland will be hit by weaker growth prospects in Western Europe. Exports to those countries, led by forest and metal industry products, are expected to increase by 4 per cent this year. Next year the figure will shrink to 2 per cent.

Following a small trade surplus in 1987 and equally small surplus this year, ETLA expects the trade balance to turn negative by the end of 1988.

Problems in trade with the Soviet Union are likely to continue. Exports will cease to decline this year but in 1989 the imbalance will lead to another 10 per cent drop in Finland's exports.

The institute says the balance *of payments* will take another turn for the worse as interest payments continue to grow. Finnish banks and companies have borrowed heavily abroad where interest rates are distinctly lower than in Finland. The current account deficit is expected to widen from FM9.2bn (£1.2bn) in 1987 to FM14bn in 1989.

Private consumption increased by 5 per cent last year but the growth is likely to shrink to 3 per cent this year and to 2.5 per cent in 1989. Investments follow the same pattern, coming down from 4.5 per cent last year to 2.5 per cent in 1988. The recent wage agreements, cautions ETLA, will boost the inflation level from 3.7 per cent in 1987 to 4.5 per cent this year. The average income level will be 8 per cent higher in 1988.

Meanwhile, the total labour force will decline by 10,000 both this year and next. Unemployment is expected to grow to 5.4 per cent. At the same time many industries face a shortage of trained workers.

Floods in West Germany hit commercial shipping

RELENTLESS rain and melting snow swelled rivers and flooded communities across West Germany, forcing the evacuation of thousands of people and killing at least three, the authorities told Reuter yesterday in Bonn.

Officials banned commercial shipping on most large waterways and river transport police said sustained rainfall was threatening to swell the Rhine to near record post-war levels.

Residents of the Bavarian village of Niederachdorf evacuated their homes on Sunday night after flood water burst through a dam on the Danube, which reached its highest levels this century and was still rising.

In Cologne, shopkeepers, residents, volunteers and emergency workers built barricades to stop the Rhine from swamping the Altstadt, the city's "old town."

General strike hits Portugal

By Diana Smith in Lisbon

PORTUGUESE UNIONS yesterday held the biggest general strike in the country's history, in protest against government plans to liberalise rigid labour laws.

Estimates by Government and the unions of the number who stayed away from work varied wildly, but probably half the country's 3m labour force did not work.

While electricity, water, gas and telecommunications were unaffected, the strike hit public transport (including private bus companies) and key industries seriously.

Commerce, in which most people are self-employed, and small northern factories kept running. But chemical, metallurgical, ceramics, pulp, cement and cork plants, canneries and breweries reported heavy support for the strike – from 10 to 50 per cent in private factories to 90 to 100 per cent in state-run industry.

The strike, considered historic by the mainly Socialist UGT confederation, which led the action, and the Communist influenced CGTP which joined the protest, was seen as a slap in the face for Mr Anibal Cavaco Silva, the *Prime Minister and leader of the* Social Democrats who took 148 of the Parliament's 250 seats in a landslide election victory last July.

That result – the first landslide ever for a democratically-elected Portuguese party – gave Mr Cavaco Silva leeway to steer through tricky items on his modernisation agenda, including an end to labour laws that since the left-wing coup in 1974 made it hard to dismiss anyone even with just cause.

But Mr Cavaco Silva opted to clash with unions which were mellow and co-operative after two years of real wage gains and ordered public sector wage rises 3 or 4 points below private sector levels. In a jittery climate of wage-related strikes, the Cabinet *approved its new labour law* giving unions no chance to discuss amendments. The price was yesterday's showdown.

The labour reforms are deemed soft by management: the unions, bent on maximum resistance whether or not it has an impact on the final version of the law, describe them as a threat to all jobs, even though the proposed law bans arbitrary sacking.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E.Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: G.D. Owen, Financial Times, Bracken House, Cannon Street, London EC4P 4BY. © The Financial Times Ltd, 1988.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 44 East 60th Street, New York, NY 10022.

Dehaene pursues chimera of Belgian coalition

BY DAVID BUCHAN IN BRUSSELS

MR JEAN-LUC DEHAENE, the Flemish Christian Democrat politician asked formally by King Baudouin at the weekend to form a Belgian Government, will complete his first round of talks today with leaders of the five parties he hopes to join in a coalition.

But even if he succeeds in negotiating a compromise solution to the key linguistic disputes between the country's Flemish- and French-speakers, Mr Dehaene is not expected to be able to announce a Government before the second half of April.

Mr Dehaene, the 47-year-old Social Affairs Minister in the outgoing Government of Mr Wilfried Martens, will seek to build on the past two months of discussions he has held with the five parties – his own Flemish Christian Democrats, the French-speaking Christian Democrats, the Socialist parties from the country's two linguistic regions and the Volksunie (VU) Flemish nationalists.

In his role as *informateur* to the King, Mr Dehaene was able to report basic accord among the five parties on economic policy, but not on current linguistic disputes nor on constitutional reform devolving more power to Flanders, French-speaking Wallonia and the linguistically mixed capital of Brussels. But since all five parties wanted to continue their "pentapartite" negotiations with Mr Dehaene, the King has now given him the added authority of *formateur*.

Distaste

This makes it highly likely – though few things are certain in Belgian politics – Mr Dehaene will head a centre-left Government, taking over from his party colleague and patron, Mr Martens. The latter presided over six years of centre-right government, brought to an end by elections last December which produced Socialist gains. Mr Martens has made no secret of his distaste for coalition with the Socialists and his preference for continuing in tandem with the right-wing Liberals, the one major political grouping outside the current coalition talks.

Belying his "bulldozer" reputation, the burly Mr Dehaene has shown that he can, figuratively speaking, walk on eggs in keeping the five parties around the table for two months. But he will have to tread with even more care in tackling the particular linguistic dispute which brought down the Martens Government last autumn.

This concerns the refusal of one Mr Jose Happart, the French-speaking mayor of Fourons in the Flemish-speaking Limburg province, to conduct his official duties in Flemish. Settlement of the Fourons row – Mr Dehaene talks of a modus vivendi rather than any final solution – has clear implications for some communes surrounding Brussels which have the same linguistic configuration.

Fraught

Devolution, particularly of education, to the regions is another fraught issue in the coalition talks, with the VU pushing for maximum local autonomy and the French-speaking Christian Democrats worried that Catholic schools will lose out in predominantly Socialist Wallonia.

By contrast, economic policy negotiations have proved relatively smooth. Mr Dehaene has said he would like to continue the austerity policies of the Martens Government, but "with some new accents". As someone who started his career in the Christian Democrat unions and more recently as Social Affairs Minister, Mr Dehaene is probably more disposed than others in his party to accommodate Socialist calls for more job-creating public investment and for an increase in indirect excise taxes to offset any reductions in Belgium's high direct taxes.

Worried about precisely such an accommodation, the Belgian employers' federation last week called for maintenance of the Martens policies. It warned that the public sector deficit, already reduced from 12 per cent to 8 per cent of gross national product under Mr Martens, must be further brought down to less than 5 per cent. Otherwise, there would still be "a snowball effect" whereby the Government has to borrow just to fund interest payments.

Greece shrugs off US protests over bases

THE GREEK Government yesterday rejected American protests about a construction freeze at the four US military bases while talks on their future continue, AP reports from Athens.

Mr Yiannis Roubatis, the government spokesman, said the Government stood firm behind last September's decision to ban new building and repair work on the bases for the duration of the negotiations.

He said Mr Robert Keeley, the US ambassador, had renewed a request earlier this month that construction projects involving security and living quarters improvements should go ahead.

Greek and US officials are currently negotiating a new bases agreement that will replace the 1983 accord after it expires at the end of this year. Mr Andreas Papandreou, the Prime Minister, has said a new agreement must be approved in a referendum before it is signed.

Bridget Bloom on the French tendency towards representing farm policies as a national triumph

Chirac goes for the agricultural vote

WITHIN DAYS of Mr Jacques Chirac, the French Prime Minister, agreeing last month to some of the toughest cuts in Europe's farm subsidies yet seen, the French ministry of agriculture published a splendidly glossy brochure eulogising his government's contribution over the past two years to the well-being of French agriculture.

It is, as everyone knows, election time in France, and M. Chirac is a principal conservative candidate for the Presidency. In addition, most European Community prime ministers and certainly all agriculture ministers, fight their farmers' corner in negotiations in Brussels and extol theircontribution afterwards.

Yet the French tendency to present the reform of farm policies as a triumph is important to understanding France's attitude to the much disputed common agricultural policy. As a senior French official put it in Paris earlier this month, France has recognised for some time now that reform of the hugely expensive Common Agricultural Policy (CAP) is vital. It has become a net contributor to the EC budget, and realises that its big arable producers, in particular, are competitive

But, he added, the role of farming in the body politic means that those reforms must be presented as saving the CAP not (as the very same reforms are often presented in Britain) as whittling it away. France has just over 7 per cent of its active working population, or 1.5m people in agriculture – against around 2 per cent for Germany and the UK.

The French government has good reasons for wanting to present the consequences of farm reform in the best possible light. There are different views on how tough the specific measures agreed at last month's Brussels summit will be but it is now clear, if it was not in 1984 when the EC reform process began with the introduction of milk quotas, that the palmy days of very high subsidies are over and that in the short run all farmers face more difficult times.

The longer term prospects however are even more worrying, for it is officially acknowledged, if not yet widely debated, that French agriculture could be on the edge of a revolution which, if not handled carefully, will result in the depopulation of very large areas of the French countryside within the next decade. There could be between 300,000 and 400,000 fewer farms than there are now, with possible only 300,000 farmers able to gain a living entirely from farming, by the year 2000.

The precise effects of the measures agreed in Brussels last month are hard to quantify, partly because farm-gate prices for this coming season have not yet been fixed by Brussels and partly because the government has again tried to soften the blow of reforms with an aid package, such as that which has helped successfully to restructure the diary industry. This time, there is some £300m to be spent, partly on ameliorating the lot of hill farmers and partly on easing credit terms for the hardest hit.

The principal aim of the Brussels measures is to reduce spending on the CAP by reducing farm production, particularly of oil seeds and cereals. On both, production thresholds have been established for the whole of the EC which trigger price reductions once they are exceeded. Those for oilseeds are considerably tougher than for cereals, which has led to fears that farmers will be driven out of rapeseed for example and back into wheat. Associated measures include payment to farmers to set-aside – take out of production-land now growing cereals.

> The principal aim of the Brussels measures is to reduce spending on the CAP by lowering farm production, particularly of oil seeds and cereals

In France, there is some relief among farmers that the measures were not as tough as Britain, for example, wanted. But French officials still insist that they will prove "very tough and irreversible." Across the board they will mean real price reductions of between 12-14 per cent for French farmers over the next three or so years, one official said, a figure to be added to a similar decline in the past four years. (He added that German farmers will suffer cuts of between 20 and 25 per cent in the next three years largely because of the strong D-Mark: this "larger political sacrifice" was why in the end France supported Germany against Britain during the summit negotiations.)

In Britain currently there is much talk of the farmers' need to diversify out of surplus crops, or set aside land from production but in France there is a somewhat different emphasis in the search for additional, medium-term solutions to over-production.

French government and farming officials are lukewarm towards set-aside, with some seeing it as an Anglo-Saxon plot to prevent France remaining the EC's largest cereal exporter. They insist instead that new uses must be found for traditional crops, like producing bio-ethanol for fuel out of surplus cereals, while France wants imports of cereals or cereal substitutes from outside the EC curbed so that production of home produced crops can increase.

French officials are particularly worried that the failure to agree a tax on oils and fats production – which is anathema to Britain – will vitiate attempts to control the farm budget. They say that without the tax the EC is likely to find itself spending some Ecu 6bn (£9bn) a year – or as much as it now spends on cereals – supporting Spanish olive oil.

But it is the longer term outlook which is particularly worrying and on which – not surprisingly perhaps, given the election – public debate has hardly begun. The EC reforms will drive some farmers – particularly those who borrowed heavily in the early 1980s – off the land but many more will leave because they are already ageing; more than 50 per cent of French farmers are over 50 and of those more than half are thought to have no actual or willing successors.

One of the more conservative recent studies of the problem estimates that some 5-6m hectares of France's 30m hectares of agricultural land could be in serious danger of "desertification" by the turn of the century as farmers leave it, while the numbers of full time farmers could fall to around 260,000 compared to today's 700,000. As one official put it,"that could mean the sort of restructuring of the countryside and rural life which goes far, far beyond anything we have experienced in Europe this century."

Pressure on Polish peace group

By Christopher Bobinski in Warsaw

RENEWED POLICE pressure on Poland's independent pacifist movement Freedom and Peace (WIP) comes as the military establishment has signalled a liberalisation of the rules on conscientious objection to military service.

On Saturday security men broke up a WIP meeting in a private Warsaw flat and confiscated Zl 1m(£1,300) they found there, while activists in other cities report increased surveillance by the authorities.

But, on the same day, the Ministry of Defence's Military Council, chaired by General Wojciech Jaruzelski, the country's leader, was reported to have approved "proposals for modifying the rules of alternative service" and discussed "proposed modernised texts" of the military oath.

The communique comes after the Polish navy earlier this month cut national service for sailors from three years to two and the military lowered the age up to which young men can be called up from 28 to 24.

Recently Zolnierz Wolnosci, the Polish army newspaper, published an account of a meeting at the Defence Ministry during which General Tadeusz Szacilo, head of the army's political wing, revealed that the right to object to the draft might be extended to those with "an ideological and political" motivation and not only religious objections.

Japanese loan likely to help Turkish debt financing

BY JIM BODGENER IN ANKARA

JAPAN is expected to provide co-financing of about $500m-$600m with a $400m World Bank loan to tide Turkey over a peak in external debt servicing in June, say Turkish officials. This year, Turkey faces a foreign debt servicing bill totalling around $7.2bn. External debt rose by 22.6 per cent to total $38.3bn during 1987, according to recent official figures.

The Turkish Government had no intention of rescheduling, and would be able to meet its dues in 1988, Mr Rusdu Saracoglu, the central bank governor, said recently. Treasury officials pointed out yesterday that a total of about $800m was raised between January 1 and March 5 this year, all medium-to-long term. About $300m was raised by the central bank, and the remainder by the Treasury.

The World Bank board was expected to approve the co-funding package provided it was used to restructure the financial sector in June, Treasury officials said.

The total package of around $900m essentially would be balance of payments funding available for all but a restricted number of uses, provided the Government abided by pledges to reform the financial sector.

Tokyo had already approved the co-funding as part of its promise to recycle much of its trade surplus, said the officials. No decision had been reached yet as to the form of co-funding, but it would be one of three options developed by the World Bank *from the obsolete B-loan concept.*

The three basic options were co-financing, joint-financing, and parallel financing.

The Japanese funds might come in part through the Export-Import Bank of Japan (Eximbank), but would not be tied to any projects, such as the third Bosporus bridge, said the officials. An exchange of notes with Japanese officials was still going on, they add.

Mr Saracoglu recently unveiled a comprehensive, three-year debt servicing strategy until 1991. The level of servicing was not expected to ease until 1990, but credits tied to actual projects would form a much smaller proportion of fresh loans than hitherto. The Government's strategy was to start reducing the current account deficit to $400m-$500m by 1991, however, slowing the rate of increase in external debt, he said. In the longer term, the stock of debt would decline, particularly in relation to gross national product, and the current account.

Pretoria admits sending killers into Botswana

BY ANTHONY ROBINSON IN JOHANNESBURG

THE South African Defence Force yesterday admitted sending a hit squad across the border into Botswana which killed four people in a house in the northern suburbs of Gaborone, the capital.

According to an SADF statement the four, believed to be three women and one man, were "ANC terrorists" using Botswana as a transit route from bases in Zambia and Zimbabwe. The raid was based on information gained last Friday when another three suspected ANC guerrillas were killed by a South African patrol on a farm close to the border, the SADF statement added.

Those killed on Friday were reportedly armed with Soviet-made weapons. The four murdered in yesterday's raid were killed in their beds and charred beyond recognition in a subsequent fire.

Yesterday's early morning raid, the latest in a long series of cross-border raids into Botswana and other neighbouring states by South African forces in recent years, follows an intensive police search for Mr Heindrich Grosskopf, a young Afrikaner.

The security forces want to question him about the massive car bomb explosion outside a Krugersdorp magistrates court which killed three people earlier this month and several other unsolved bomb explosions attributed to the ANC. He is believed to be in hiding in Botswana which shares a long border with South Africa.

Gaborone denies giving any assistance to the ANC and is frequently humiliated by Pretoria's violation of its sovereignty.

Meanwhile, Mr Rocky Malebane-Metsing, leader of last month's abortive military coup in the neighbouring Bophuthatswana homeland has surfaced in Lusaka, the Zambian capital. In an interview with a South African newspaper he said he had escaped because he feared that the homeland authorities would kill him rather than put him on trial and claimed that he had saved President Lucas Mangope from being executed by the military mutineers.

● At least 400 armed guerrillas have surrendered to the Mozambican authorities since an amnesty law was passed in December, the national news agency reported Monday, AP reports from Maputo.

Manila lists demands over bases

By Richard Gourlay in Manila

THE Government of President Corazon Aquino yesterday fired the first official salvo in talks with Washington to determine whether the US will keep its Philippine military bases, its largest abroad, after 1991 when the lease expires.

Mr Raul Manglapus, the Foreign Secretary, said the talks will also cover how the Philippines applies a provision in the constitution banning nuclear weapons from its territory. US officials have already said they will not change their global policy of neither confirming nor denying whether US ships carry nuclear arms.

In a policy speech to diplomats, Mr Manglapus said the US paid the Philippines only a fraction of what it pays for European bases. This was despite Washington's belief, shared by many in the region, that the Philippine bases are strategically vital to non-communist Asia from the South Pacific and Japan to the east coast of Africa.

He rejected the US argument that the bases, including the huge Subic naval and Clark air bases, were for their mutual defence, saying the country faced no external threats and that they served only American strategic interests.

Victor Mallet on the risks of success for a southern Africa peace plan

Cynicism greets Namibian talks

SEASONED OBSERVERS of southern Africa can be forgiven for greeting the latest flurry of negotiations on Angola and Namibia with weary cynicism.

Diplomats and politicians, traditionally described in these circumstances as cautiously optimistic, are once again talking about a deal involving the withdrawal of an estimated 40,000 Cuban troops from Angola, an end to the 13-year-old Angolan civil war, and independence for the South African-ruled territory of Namibia (South West Africa).

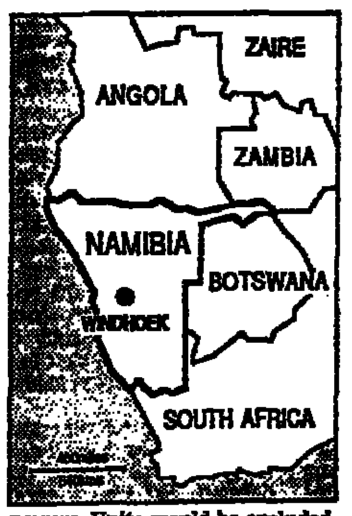
"We think that for once it is possible to believe in a miracle," were the words attributed to Mr Lopo do Nascimento of the Angolan government last week. He was in Zimbabwe addressing an international meeting of former statesmen and explaining the Angolan government's latest peace plan.

The proposals include the withdrawal of Pretoria's troops from southern Angola, the implementation of the UN's 1978 plan for Namibian independence, the withdrawal of Cubans from southern Angola followed by their complete departure from the country, and an end to US and South African support for the Angolan rebel movement Unita.

Such a plan would be agreed to by South Africa, Angola, Cuba and Swapo, the Namibian nationalist movement, and guaranteed by the UN or the major world powers. Unita would be excluded. The US, in the form of Mr Chester Crocker, the Assistant Secretary of State for African Affairs, has long been mediating between South Africa and Angola.

"Finally," said Mr do Nascimento, "we are seeing light at the end of the tunnel and we hope that South Africa does not at the last minute once again hide the light we are glimpsing."

What some observers may have forgotten is that these proposals are almost identical to the ones put forward by Angola as long ago as 1984, with the exception that the Luanda government at that time wanted to keep 5,000 Cubans in the north of the country.




do Nascimento: 'end of tunnel'

Success, therefore, is only possible if South Africa has had a change of heart over the past four years and is now suddenly prepared both to ditch Unita and to hand over its backyard in Namibia to a leftist Swapo government. Neither is likely.

South Africa, showing no sign of wanting to leave Angola, let alone Namibia, is heavily involved at the moment in fighting in support of Unita around the southern Angolan town of Cuito Cuanavale.

Always fearful of the domestic political threat from the extreme right, President P.W. Botha's National Party government also seems to have hardened its public conditions for a Namibian settlement.

In the early 1980s Washington and Pretoria simply insisted on a Cuban pullout from Angola but this month General Magnus Malan, the South African Defence Minister, suggested to Angola's Soviet backers that there should be a neutral government in Luanda – in other words a share of power for Unita. Angola's Marxist rulers and the Soviet Union both reject this.

There is always a distant hope of peace. Angola, Cuba and the Soviet Union are probably all wearied by the human and financial costs of the war. South Africa has been taking heavy casualties in Angola.

Unfortunately the evidence points to further fighting. Last week the leaders of the six frontline states in southern Africa gathered in Lusaka and declared their support for the Angolan peace plan. But the next day the President Kenneth Kaunda, the frontline chairman, admitted that he could not see the South Africans coming to the negotiating table.

Nor did Mr Pik Botha, South Africa's Foreign Minister, give an encouraging response to the Angolan overtures, saying that progress had not been made on the vital issue of a timetable for Cuban withdrawal. "I do not say that an agreement is impossible. But at the moment we are still very far from such an agreement," he said.

Shamir toughens stance on peace plan

By Andrew Whitley in Jerusalem

MR YITZHAK SHAMIR, the Israeli Prime Minister, yesterday fired another salvo at the US peace initiative for the Middle East, further reducing Secretary of State George Shultz's chances of a breakthrough when he returns to the region on Sunday.

Buoyed by opinion polls showing that a large majority of Israelis favour tougher military action in the occupied territories, Mr Shamir told a special session of Israel's Parliament that he sought "a contract with Jordan and an arrangement with the Arabs of the Land of Israel". The right-wing leader, who refuses to speak of a Palestinian people, was presumably referring to some form of Palestinian autonomy under Israeli rule.

Before another wave of expected protests as Israeli Arabs and Palestinians from the occupied territories mark a traditional anniversary, the Israeli authorities have taken unprecedented security precautions. Extra police are being drafted into mainly Arab districts of Israel and hundreds of suspected activists have been temporarily detained. The Israeli army has also imposed a virtual news blackout on the clampdown.

A senior Israeli official disclosed yesterday that Mr Shultz is expected to bring with him a draft invitation to Israel and its Arab neighbours to an international conference, to be held next month. While Mr Shamir will be pressed hard for an unequivocal reply, the tactics remain to defer judgment until the Arab states have spoken.

Vanunu to appeal over espionage sentence

MR MORDECHAI VANUNU, the former nuclear technician, yesterday appealed to Israel's Supreme Court against an 18-year prison sentence for treason and espionage, Armed Forces Radio said, Reuter reports from Jerusalem.

The Justice ministry said no appeal had yet been received "but it could take up to 10 hours to go through the right channels before it is officially lodged."

Mr Avigdor Feldman, Mr Vanunu's lawyer, who would have lodged the appeal, was not available for comment. He had previously submitted a petition signed by 12 Nobel laureates that appealed to the court to recognise that Mr Vanunu was a "man of conscience."

Mr Vanunu, 34, worked at Israel's top-secret Dimona nuclear reactor in the Negev desert for nine years before telling London's Sunday Times in September 1986 that Israel had produced up to 200 atomic bombs in 20 years.

Before the Sunday Times article was published, Mr Vanunu disappeared from London, turning up in Israel as a prisoner.

After a seven-month secret trial, the Jerusalem District Court sentenced Mr Vanunu on Sunday to 18 years in prison, a lesser penalty than the maximum life sentence he could have received.

The court said Mr Vanunu aided Israel's enemies in wartime, and collected and passed on secret information with the intention of harming state security.

The Israeli news agency said Mr Vanunu's appeal would not be heard before early next year because of the number of cases pending before the Supreme Court.

Fiji PM seeks new UK links

By John Follain

RATU Sir Kamisese Mara, Prime Minister of Fiji, will today meet Mrs Margaret Thatcher, his British counterpart, in a second attempt to renew links with Britain and the Queen severed after two army coups.

The links were cut and Fiji ceased to be a Commonwealth member when Col Sitiveni Rabuka overthrew the elected Government and declared a republic in October.

Ratu Mara, reinstated by Col Rabuka late last year, will see Sir William Heseltine, the Queen's Private Secretary, tomorrow. Whitehall officials say there are no grounds for believing he will be more successful than on his last visit shortly after the coups.

There is little Mrs Thatcher can do for Ratu Mara. Any renewal of ties with the Crown would be a matter for the Queen and she refused to see him on his last visit to London.

NZ$1bn cyclone bill

The effects of Cyclone Bola which devastated a large area of New Zealand's North Island three weeks ago could cost more than NZ$1bn (£350m), Dai Hayward reports from Wellington. Mr David Lange, the Prime Minister, yesterday announced a special NZ$50m relief package to compensate farmers for up to 60 per cent of their non-ensurable losses. Some farms will be abandoned permanently. The main railway line to the city of Gisborne may never reopen.

Party leaders unite to oppose Gandhi

BY JOHN ELLIOTT IN NEW DELHI

OPPOSITION leaders in India are forming a new middle-ground political party in an attempt to strengthen their stand against the Congress I Government of Mr Rajiv Gandhi, the Prime Minister, who has to face a general election by the end of next year.

The party would include a broad-based front headed by Mr Vishwanath Pratap Singh, former defence and finance minister under Mr Gandhi, and members of the Janata Government which ruled briefly India between 1977 and 1979.

Both Mr Singh and Mr Ramakrishna Hegde, chief minister of the State of Karnataka and Janata leader, said over the weekend that they hoped the party would be formed within the next few days. They would seek electoral alliances with two Communist parties and the right-wing Bharatyia Janata Party, each of which have a national base.

These political developments coincide with a concentrated opposition attack on a Constitutional Amendment Bill passed by Parliament last week to provide emergency powers for dealing with the Punjab Sikh crisis. Opposition leaders have asked Mr R. Venkataraman, president of India and senior Congress I politician, to take the unusual constitutional step of refusing to give the Bill his approval.

They allege that the bill contains unnecessarily draconian powers to curb basic civil liberties. They also claim that Mr Gandhi could also use it under India's constitution to delay next year's general election for up to one year. Government spokesmen, however, deny any such intention, and most observers believe that a delay is unlikely.

The bill was hurried through Parliament last week because indirect parliamentary elections this week to the upper Rajya Sabha House will cost the Congress I its current two-thirds majority which it needs to make constitutional changes.

Parties which are linking up in what might be called the National Peoples Party are: the Janata, the Congress S, which is a small independent group outside the Gandhi's Congress I, one or two branches of the Lok Dal, and Mr V.P. Singh's Jan Morcha movement. But personal political rivalries, which have bedevilled past attempts at oppositon unity, are complicating the moves.

There are few policy differences between any of the parties. Mr Singh and Mr Hegde said over the weekend that their combined electoral stand would call for more concentration on agricultural and rural development, a curb on corruption and devolved government powers.

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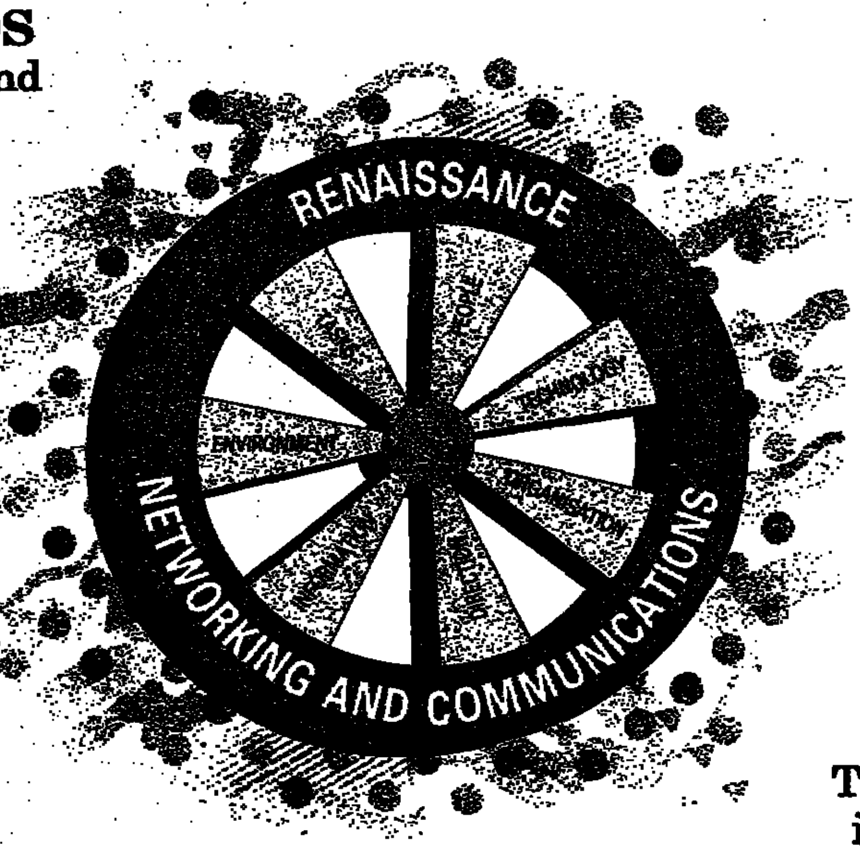

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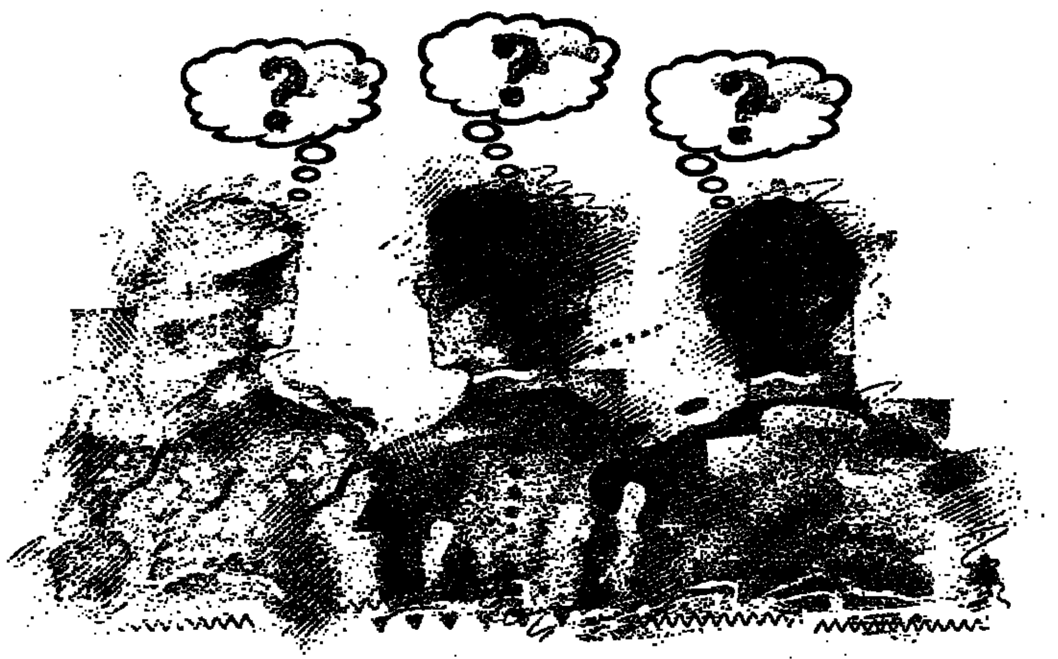

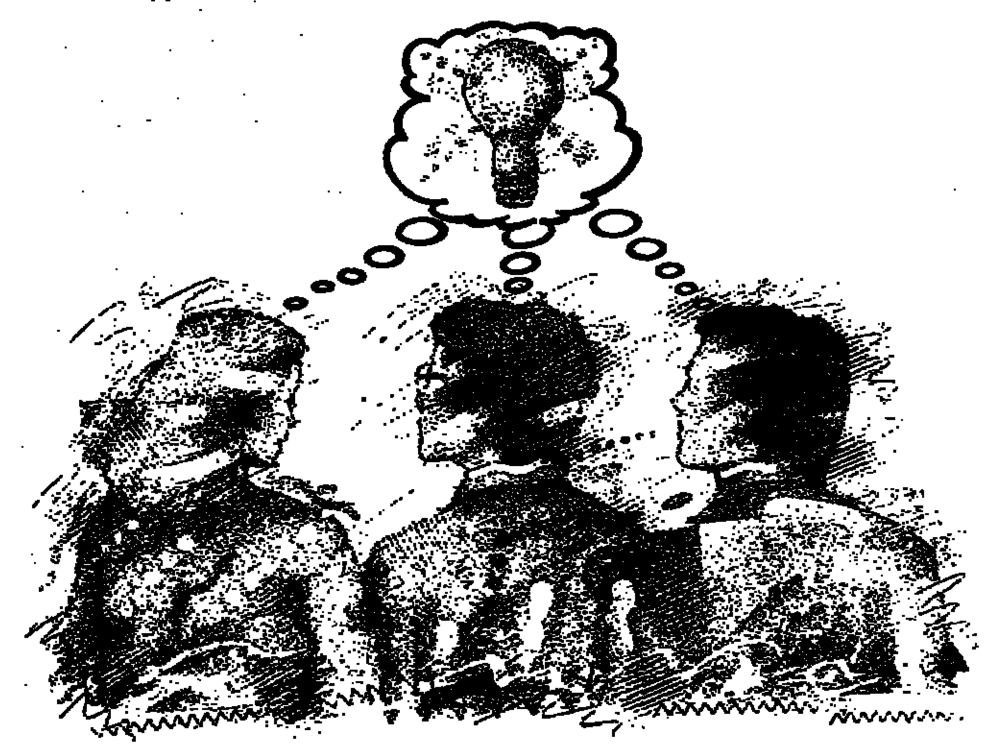

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Worries on ozone threaten to can CFCs

James Buchan reports on Du Pont's decision to phase out production of chemicals said to damage the upper atmosphere

MR Thomas Midgley, a General Motors chemist who died in 1944, was celebrated in his lifetime for two great discoveries.

In 1916, he devised a cure for engine knock that used lead tetraethyl. His leaded gasoline spread all over the world.

Fourteen years later, he was asked by GM's Frigidaire division to find a coolant for fridges safer than ammonia. In a couple of days, he came up with some chemicals know as chlorofluorocarbons.

In a famous demonstration before a scientific audience, he inhaled the coolants – known as CFCs – and blew out a candle to prove they were neither toxic nor combustible.

Cheap and easy to make in gas or liquid, CFCs caught on as coolants in fridges and air conditioners, as solvents in electronics manufacturing and in foam insulation. By last year, the US market for CFCs was worth at least $750m a year out of a global market of three times that.

But recent history has not been kind to Mr Midgley. In the mid-1970s the US banned the use of leaded petrol in new cars because of pollution damage. And last week, Du Pont, which dominates the market for CFCs with its trade name Freon, said it was phasing out production because of new and disturbing evidence that they are rapidly stripping the earth of its protection against ultra-violet light.

The Du Pont decision is expected to sound a slow death-knell for CFCs. It will force other companies to consider a phase-out and will intensify the search for less pernicious substitutes.

And it could spur international interest in a treaty, signed last year in Montreal but only ratified by the US and Mexico, which calls for a 50 per cent cut in CFCs production by 1999.

Since the 1970s, scientists have argued that CFCs, leaking out of car air-conditioners or crushed foam packages, do not decompose on earth but rise into the upper atmosphere. There, up to 20 miles high, they are bombarded by ultra-violet radiation till their molecules break apart.

The chlorine released then combines with ozone, a natural form of oxygen which shields life on earth from ultra-violet light. In the process, the ozone is destroyed.

In 1978, the Environmental Protection Agency outlawed CFCs in aerosols and hair-sprays. The US market tumbled by nearly 50 per cent, but has since recovered because of the explosion of food and fast-food packaging. Evidence continued to come in that the ozone layer was depleting all over the globe, most dramatically in Antarctica, where climatic conditions cause an "ozone hole" the size of the US each September.

The big CFCs producers – Du Pont and Allied Signal in the US and ICI in the UK – were all doing research into safer substitutes for CFCs. Commercial pressures on them were growing. Last August McDonald's gave its suppliers 18 months to switch to hamburger packages without CFCs.

But as late as March 4, Mr Richard Heckert, chairman of Du Pont, wrote sharply to three US senators who had called for a production ban. "At the moment, scientific evidence does not point to the need for dramatic CFC emission reductions," he wrote.

Eleven days later, Du Pont changed its mind. The catalyst was an exhaustive report by a top-flight scientific panel, assembled by the National Aeronautics and Space Administration and including Mr Mack McFarland, Du Pont's own chief scientist.

In its March 15 report, the panel said that ozone depletion could be up to three times more severe than science had feared – 3 per cent a year since 1986. It also made the strongest charge yet against CFCs. "The observed changes may be due wholly, or in part, to the increased atmospheric abundance of trace gases, primarily CFCs," the panel wrote.

"It was the Nasa report that convinced us," Du Pont said last week.

The challenge is now to find substitutes. Du Pont says it has already spent $30m on research and will spend a further $10m this year. Allied Signal says it hopes to have test batches of three potential substitutes by the end of the year.

But both companies say that toxicity tests alone will take up to six years to complete. CFCs will be rising into the upper air for some time yet.

Tim Coone, recently in Rio Gallegos, reports on strengthening of armed forces in Tierra del Fuego

Argentina ponders Falklands military option

IT IS EARLY evening. An Argentine Air Force transport jet touches down on the long runway at Rio Gallegos airport. It is the same runway from where Douglas A4 Skyhawks and Mirage jets departed to harass the British Task Force in the 1982 war over the Falkland Islands.

Eight soldiers in combat gear, with jauntily placed black berets on their heads, stand akimbo waiting on the tarmac as the steps are wheeled out to the Boeing 707.

What descends are 150 youths of all shapes and sizes, some long-haired with Sting t-shirts, others skinhead fashion. They are ordered into rows of three. They grin, crack jokes.

It is March 1988. The new intake of conscripts has just begun. Almost six years ago, similar youths to these were sent with barely a months' training, ill-equipped and badly-led, to fight against the legendary 3rd Paras and the Gurkhas in the Falkland Islands just 350 miles from Rio Gallegos.

The Fire Focus manoeuvres, however, taking place in the islands this month have fanned nationalist sentiment in Argentina and the smouldering ashes of the 1982 defeat.

Further south still along the main street of Ushuaia, a large hand-painted sign proclaims "Sign up for the anti-British brigades." On a nearby table there are a score of signatures on the list.

A vice-admiral of the Ushuaia naval base courteously receives your correspondent in his office. (This is the town where two British correspondents were arrested as spies in 1982.)

After an exchange of pleasantries, he regrets that he can discuss nothing with me. "You understand of course," he says. I understand, but the question pops out anyway – "Are the Falkland Islands defendable as Britain proposes, by a rapid air-lift reinforcement?"

He talks obliquely of the Iran-Iraq missile war "conducted at a range similar to the distance of the Islands from the mainland," he says. (Argentina has developed such a missile). The conversation is brought rapidly to an end as delicate topics such as Argentina's new submarines, Exocet missiles and anti-runway bombs are broached.

Argentina's armed forces are now far better equipped than in 1982. The Mount Pleasant runway, the linchpin of the Falkland Islands defence plan and deemed essential for the rapid reinforcement of the garrison in an emergency (and what the Fire Focus manoeuvres are all about) could have its asphalt surface ripped apart in one rapid airstrike using French-made anti-runway bombs, now thought to be in possession of the Argentine air force.

In the town's harbour, the weatherbeaten captain of an Argentine deep-sea trawler gives a clue to why the issue will not go away. Pointing to a map in the chart room of his ship he said: "The southern hake, which is one of the most valuable species in the region, can only be caught around Burdwood Bank."

The area he points to lies within a red line marked on the chart which delineates the new British controlled fisheries zone around the Islands. Another chart shows where most of the valuable squid species were caught last year – also within the red line.

"We go within a mile of the zone and British planes and fisheries protection vessels are there immediately," he says. "Most of the best fishing grounds in the South Atlantic are close to the (Falklands) archipelago," he says.

Those fishing grounds, through licence fees paid by foreign trawlers, are now bringing in a bounty to the inhabitants of the Islands unprecedented in almost 150 years of British habitation of the islands.

A few miles to the north of Ushuaia, also on Tierra del Fuego, hundreds of oil wells nod slowly, pumping 20 per cent of Argentina's annual oil needs to the surface. Last month, the first offshore find boosted the country's gas reserves by 25 per cent.

The 200 mile Exclusive Economic Zone claimed by the UK around the Falkland Islands at the same time as the fisheries zone was announced in November 1986, includes a major part of the same sedimentary basin in which the gas discovery was made. Economic interests are becoming as important as the emotive geo-political ones surrounding the conflict.

Articles now appear weekly in the local press, criticising the policy of Mr Dante Caputo, the Foreign Minister, over the islands. One commented: "The fishing licences talk more eloquently than a few votes in the United Nations."

Pressure is mounting for a return to some form of military posture to force the UK to negotiating table. Even a prominent university professor and an erstwhile opponent of the military said recently, "The only mistake we made in 1982 was to lose the war."

The opposition politicians are calling on the government to adopt "a hypothesis of war" – a contingency plan for the armed forces which would have the double benefit of appeasing nationalist sentiments at the same time as giving the armed forces something to take their minds off internal conflicts and human rights trials that have rent the military institutions over the past year and even threatened to topple the Government.

Contras in talks on weapons handover

THE Sandinista government and Contra rebels resumed talks yesterday, trying to make progress on their ceasefire accord, that led to the release on Sunday of 100 political prisoners in Nicaragua, AP reports from Managua.

The negotiations in Sapoa were to focus on so-called "truce areas," where the Contras can gather and later turn in their weapons.

The Sandinistas met last week with Contra leaders and agreed on a 60-day ceasefire beginning April 1. Further high-level negotiations are scheduled for April 6 in Managua to work on a permanent truce.

Major General Joaquin Cuadra, Deputy Defence Minister and chief of staff of the Sandinista army, headed the government delegation participating in yesterday's talks.

Deputy Foreign Minister Victor Hugo Tinoco and military intelligence chief Maj Ricardo Wheelock Roman planned to accompany Maj Gen Cuadra.

The informal ceasefire, agreed on March 21, held on Sunday. An estimated 50,000 people have been killed or wounded since the civil war began in November 1981.

The government fulfilled part of the ceasefire pact on Sunday by granting amnesty to 100 political prisoners, most of them accused of being Contra rebels.

The Contras demanded the amnesty as a condition for further talks. A regional peace plan that President Daniel Ortega and four other Central American presidents signed last August also ordered general amnesties.

Interior Minister Tomas Borge said the amnesty was "possibly the beginning of the end of the war."

He called on the rebels to release peasants he said they have kidnapped.

The release on Sunday, ordered under an amnesty law the National Assembly approved by an 82-2 vote on Saturday night, could benefit 3,300 political prisoners jailed since the Sandinistas seized power in the 1979 revolution that overthrew President Anastasio Somoza.

The law calls for release of an undisclosed number of Contras taken prisoner during the civil war, followed by a review of about 1,800 members of Somoza's now-disbanded National Guard, President Ortega said.

Roman Catholic Cardinal Miguel Obando y Bravo called the prisoner release a "very positive" development. It meant 100 "brothers can regain liberty."

Dukakis in need of big win to revive campaign

BY LIONEL BARBER IN WASHINGTON

GOVERNOR Michael Dukakis of Massachusetts, swept aside by the Rev Jesse Jackson in the presidential caucuses in Michigan, will today attempt a recovery in his neighbour state of Connecticut.

Mr Dukakis, the clear favourite for the Democratic presidential nomination, desperately needs a big win to revive his stalled campaign and to halt Mr Jackson, who has become his chief rival.

The Dukakis campaign said their man's fortunes would revive as soon as the Democrat field thinned out and the vote ceases to be dispersed among five candidates.

Congressman Richard Gephardt of Missouri dropped his candidacy yesterday, after finishing a poor third in Michigan. Senator Paul Simon of Illinois, who blocked Mr Dukakis in the Illinois primary, is struggling to stay in the campaign.

However, it is beginning to sink in among leading Democrats that Mr Jackson, for all his supposed unelectability, may end up with the most delegates at the party's national convention in Atlanta in July.

His Michigan victory was stunning, not just because he beat Mr Dukakis almost two-to-one in a leading northern industrial state, but because he also won between 15 and 20 per cent of the white vote (in addition to over 90 per cent of the black vote).

Commentators have often said that for Mr Jackson – a liberal, anti-corporatist who preaches against drugs and privilege – to win more than 10 per cent of the white vote would amount to a breakthrough in his quest for the nomination.

Because of the caucus-like system used in Michigan, only 200,000 of the state's 5.8m registered voters went to the polls. So Mr Jackson still has to pass the test of winning a northern primary election, where more people tend to go to the polls.

Jackson: appeal to the dispossessed

However, the sheer size of Mr Jackson's win has made it more difficult for senior Democrats to rally round Mr Dukakis. As Mr William Carrick, the campaign manager for Mr Gephardt, said: "Dukakis is the candidate with the most money ($20m) and the least to say."

More intriguing is the position of Governor Mario Cuomo of New York who said of Mr Jackson's victory and his appeal to the poor and dispossessed in the US: "What he has going for him is that he speaks specifically about real problems in a way the other candidates do not. There has to be a why to his campaign."

Governor Cuomo, often cited as a potential Democrat nominee in the event of a dead-heat among the presidential candidates, is now considered unlikely to endorse Governor Dukakis before the key New York primary on April 19.

The scramble among the Democrats has once again led to speculation that the party may have to turn to Mr Cuomo as a unifying force – unless Mr Dukakis can stage a clear comeback.

US considers tougher action against Panama

BY LIONEL BARBER

THE REAGAN Administration is considering tougher action aimed at ousting Panama's military strongman General Manuel Noriega.

Mr Elliott Abrams, the State Department official in charge of Latin American affairs, said one option would be for Congress to invoke the International Emergency Economic Powers Act. This would give the Administration broad discretion to declare a national emergency in Panama.

US officials admitted they had underestimated Gen Noriega's ability to resist economic sanctions, which helped remove President Ferdinand Marcos of the Philippines and President Jean-Claude Duvalier of Haiti.

WORLD TRADE NEWS

Yugoslavian steel exporters face fresh assault from Eurofer

BY WILLIAM DAWKINS IN BRUSSELS

EUROFER, the "club" of big integrated steelmakers in the European Community, yesterday launched the latest in a series of formal complaints against alleged unfair underpricing of Yugoslavian steel.

The group told the European Commission that Yugoslavian cold rolled sheet is being dumped in the EC at between 24 per cent and 30 per cent below normal value. The dispute is sensitive because EC steelmakers' overcapacity is particularly heavy in cold rolled sheet, a basic raw material for the car and white goods industries.

If the Commission finds in Eurofer's favour, it can impose punitive levies to bridge the gap between the dumped EC price and a normal price.

Yugoslavia exported 40,000 tonnes of cold rolled sheet to the Community in 1986, more than doubling sales to 90,000 tonnes last year.

Eurofer claims that imports from the Eastern European country were running at an annualised rate of 140,000 tonnes by the end of last year, representing just under 1 per cent of the EC's 16m tonne per year consumption of that product.

Britain and Italy are the worst affected, said the group.

The Brussels authorities recently imposed anti-dumping levies on Yugoslavian imports of hot rolled coil - the source material for cold rolled products - and heavy plate, used in the shipping and offshore industries.

They are also investigating another Eurofer complaint against allegedly under-priced steel beams from Yugoslavia.

US report may bolster argument for more quotas

BY NANCY DUNNE IN WASHINGTON

THE ARGUMENT of US steelmakers for an extension of the "voluntary" quotas on steel imports is likely to be bolstered by a new congressional report, which attributes recent rises in steel prices to the lower dollar.

The report, prepared by the Congressional Research Service by the office of Senator John Heinz, a Pennsylvania Republican, concludes that US steel prices rose about 4.7 per cent last year but not as a result of the quotas.

The voluntary restraint agreements with 20 countries is due to expire in 1989. Although the US industry has undergone a major restructuring in the four years of protection and has struggled back to profitability, the major producers are seeking an extension of the quota programme.

Most countries subject to the quotas last year shipped substantially less steel to the US than allowed under their VRA's. Together, their shipments accounted for 13.6 per cent of the US market, well below the 16.5 per cent allowed.

The report found evidence that the price of imported steel has increased along with domestic prices. "This rise in imported prices suggests that the depreciation of the dollar explains to a large extent the rise in prices and the decline in imports," it said.

The US steel quotas are not global. About 40 countries are not subject to limitations, and they increased their share of the US steel market from about 17.1 per cent in 1984 to about 30.4 per cent in the first 10 months of last year.

The largest beneficiary of the market gain for the non-restricted countries was Canada. In 1984 its steel exports to the US represented 12.1 per cent of total imports.

In the first 10 months of 1987, its share rose to 18.2 percent. Others without VRA's also increased their market shares - notably Turkey, Indonesia, Singapore, Taiwan and Argentina.

Thyssen agrees $916m Indonesian chemical deal

BY JOHN MURRAY BROWN IN JAKARTA

Thyssen Rheinstahl Technik, part of West German's Thyssen group, has agreed a $916m joint venture petrochemical investment in Indonesia, the country's largest foreign investment in over a year.

The venture will provide a welcome boost for Indonesia at a time of balance of payments constraints and growing debt problems. It is also further evidence of Indonesia's move into downstream activities to boost oil and gas income without breaching quotas agreed with the Organisation of Petroleum Exporting Countries.

The project, which was earlier rephased as part of government cost-cutting measures, will be financed by $716m worth of foreign loans, largely suppliers' export credits, Thyssen said yesterday in Jakarta.

The balance is joint venture equity, of which PT Humpus Aromatic, the Indonesian partner - a company owned by President Suharto's youngest son - will provide 30 per cent, with Thyssen covering the remainder.

The plant is expected to be on stream by 1991, producing 12 plastics products, with a capacity of 217,000 tonnes of paraxylene and 405,000 tonnes of benzine a year, all of it for export. Industry officials say the project will consume around 30,000 barrels per day of naphtha.

In a deal last year Pertamina, the state oil company, agreed non-recourse terms with Mitsui of Japan to finance a $400m paraxylene plant in central Java. The plant is designed to produce 270,000 tonnes.

BA under fire from Singapore Airlines

BY ROGER MATTHEWS IN SINGAPORE

PRESSURE IS mounting on British Airways to allow an increase in the number of flights between London and Singapore in order to meet steadily increasing demand which is forcing passengers to book several months in advance during peak periods.

There has been no increase in capacity by British Airways or Singapore Airlines on the Heathrow-Singapore route since 1976, despite the considerable increase in air traffic to the region.

Each airline operates a daily flight in either direction. Singapore Airlines was allowed two flights a week to Manchester two years ago but these are also heavily booked.

Six British MPs, three each from the two main parties, recently visited Singapore to investigate the problems.

Mr Lim Chin Beng, deputy chairman of Singapore Airlines, lays the blame squarely on British Airways, accusing it of adopting a dog-in-the-manger attitude and failing to seize the obvious opportunities for increasing its profits on the route.

"It seems as if the only way they think they can compete with us is by restricting our capacity," he said. "Perhaps we will have to wait until there is a riot at an airport before they act."

Because passengers were unable to get seats on the two principal carriers, other airlines were picking up an increasing amount of business, especially Qantas with a daily flight and Air Canada now running four 747 flights a week between Heathrow and Singapore. Mr Lim said Air India, KLM, Yugoslav Airlines and even Aeroflot were benefiting from the lack of capacity.

Tourists from Britain increased by more than 10 per cent last year, a trend which has continued into the first quarter of 1988. Mr Lim said tourism from southern Europe was showing a far more dramatic rise with the result that Singapore hotels were operating at above 70 per cent occupancy. Business travel was also expanding rapidly.

Singapore Airline's load factors have been rising by an average of 8 per cent annually on the London-Singapore route and are running into the high 70s, which the airline says, means having to turn customers away regularly.

"It is a lost profit opportunity for us and for British Airways. We are willing to increase the number of flights almost immediately," said Mr Lim.

Singapore Airlines has proposed introducing a trigger mechanism which would allow an automatic increase in the number of flights once a load factor had reached a certain level over an agreed period. However, the suggestion has not been taken up.

Mr Lim urged British Airways to look at what Qantas was doing by using Singapore as a hub for flights from different parts of Australia. He added consideration would be given to the British airline if it wished to adopt a similar system for onward flights to other parts of Asia.

Japanese to cut South African iron ore imports

THE JAPANESE steel industry will gradually reduce imports of iron ore and coking coals from South Africa, according to industry officials, Reuter reports from Tokyo.

"We are going to keep distancing ourselves from South Africa, as we have been," one industry offical said. Steel mills had begun cutting South African imports before Tokyo had called for trade restraints, he said.

Mr Hajime Tamura, Japan's Minister of Trade and Industry, has asked six major trading houses to restrain trade with South Africa.

The minister urged company presidents at a meeting to consider the growing international criticism of Japan, which became South Africa's biggest trading partner last year.

About 5 per cent of Japan's total iron ore imports come from South Africa, amounting to an estimated 5.5m tonnes in the year ending March 31, 1988.

Coking coal imports from South Africa in fiscal year 1987-88 are expected to reach more than 4m tonnes, around 7 per cent of total Japanese demand.

Jerusalem's claim denying Palestinians access to ports is bogus, writes **Andrew Whitley**

Chill winds strike EC-Israel trade relations

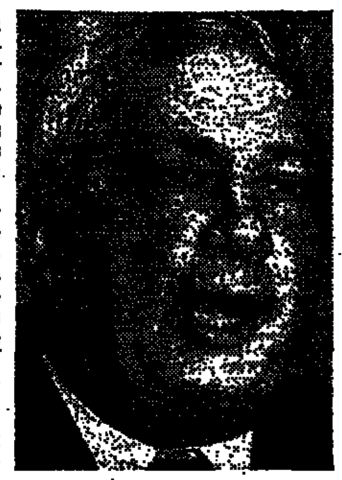
TRADE RELATIONS between Israel and the European Community have turned markedly chilly in the wake of the European Parliament rejecting a new trade agreement and package of loans for Israel, in protest against its handling of the unrest in the occupied Arab territories.

In quick response, the Shamir government made clear to Arab farmers that their hopes of shipping their produce directly to Western European markets were most unlikely to receive Israel's blessing. Mr Ariel Sharon, the hawkish Trade and Industry Minister, went further, warning that further retaliatory steps were under consideration.

"I don't believe Israel can just take this punishment," he thundered. "It must certainly respond, and we are now definitely thinking of a series of steps we can also take."

What measures the Israeli Government can take without breaching Gatt rules or existing undertakings to Brussels under the 1975 trade agreement giving Israel preferential access to the EC for its farm produce are not immediately obvious. The two sides are already in dispute over an import levy the Community says is illegal.

Moreover, Israeli exports to the EC – boosted by the strength of their currencies against the US dollar – have been the salvation of the country's manufactured goods exporters over the past two years. Measured in dollar terms, last year they climbed by nearly a quarter over 1986 to reach a record $2.4bn.



Ariel Sharon: warns of further retaliatory steps

Exports to the Community traditionally represent about a third of Israel's total outward trade flow. On the league table, the US remains by far the largest single market, followed – an anomaly created by war – by the occupied West Bank and Gaza Strip. But, collectively, the major West European economies are the most important outlet for Israeli agricultural and industrial products, particularly the former.

Over the past decade Agrexco and the Citrus Marketing Board, the principal state marketing organizations, have built up a powerful sales network with British and continental European fruit and vegetable wholesalers. Staying on top of changing tastes and promoting vigorously, the Israelis have virtually cornered the market for winter vegetables and cut flowers. The flower business alone is worth over $100m a year.

Like other Mediterranean countries such as Morocco, the biggest threat Israel currently faces in the EC comes from the accession of Spain, a major competitor in traditional Israeli exports such as citrus. To help Israel adapt to the phased-in tariff cuts on Spanish and Portuguese produce, and provide those countries with comparable access to the fast growing Israeli market, an adaptation and harmonisation agreement – the *Additional Protocol unceremoniously* rejected last week in Strasbourg – was concluded by the Commission.

For the moment at least, Israeli cries of woe over the dire consequences for its farmers of the new treaty's rejection are unjustified. With the exception of cut flowers, an addition to the original regime, the tariff reductions envisaged for this year and next are modest. As the trade statistics show, more than compensating for the, probably temporary, delay in their introduction is the strength of European currencies against the shekel.

Set against the massive Israeli shipments to Western Europe by air and sea of everything from Chinese leaves to exotic hybrid fruits – all told worth about *$800m in 1987 – the potential* threat from Palestinian farmers in the West Bank and Gaza Strip, given comparable access to the EC by Brussels under its October 1986 initiative, is pitifully small.

In almost every department – quality control, packaging and marketing – the Israeli product is vastly superior. The only possible grounds for competition abroad are on price, and even there the Israeli farmer has access to subsidised credit and other benefits not available to his Palestinian counterpart. The sales of such Palestinian produce as tomatoes and oranges to the EC are unlikely at first to exceed $20m, barely 2.5 per cent of the Israeli figure.

So why has Israel objected so strenuously to complying with a Community request to allow Palestinian farmers to ship their goods through Israeli ports independently of Agrexco and the Citrus Marketing Board? Since the directive was issued by Brussels not one commercial export licence has been issued for an EC destination. The Israeli claim that to allow the Palestinians free access to its ports would contravene its law is bogus.

Shipments of Gazan oranges to Eastern Europe, where Israeli penetration has not gone far, have always been permitted through Ashdod port. The answer is almost certainly political and not economic. There is a deeply entrenched resistance within the Israeli establishment, *irrespective of political affiliation*, to allowing the resurgence of an awareness among the western public of a Palestinian national identity, even in the mundane form of a crate of tomatoes stamped "produce of the West Bank."

By urging Palestinian farmers in the occupied territories to send their goods to Western Europe through Jordan or Egypt instead, Israeli officials are probabaly banking on the likelihood that the economics of such roundabout export routes, not to mention the spoilage along the way, would effectively kill its chances of success.

UK NEWS

Film, TV unions to face restrictive practice inquiry

BY JOHN GAPPER, LABOUR STAFF

An INQUIRY into labour practices within the film and television industries was announced yesterday by the Government under a previously dormant section of the 1973 Fair Trading Act, which may be used in future against other industries.

National agreements covering the 15 independent television companies, the British Broadcasting Corporation, and film production companies are to be referred to the Monopolies and Mergers Commission under Section 79 of the Act.

The Government believes an inquiry will show that the staffing costs of the ITV companies in particular are inflated by trade union closed shops, unecessary grading demarcations and overmanning in technical areas.

Mr Norman Fowler, Employment Secretary, said a start was being made with film and television because there was "clear evidence" of restrictive practices, but investigations of labour agreements in other industries might follow.

The move is one of the first interventions by the Government into working practices within a particular industry. Its labour legislation since 1979 has concentrated on limiting industrial action and trade union power.

The reference has been made jointly by Mr Fowler, Lord Young, the Secretary of State for Trade and Industry, and Mr Douglas Hurd, the Home Secretary, and the Goverment expects the inquiry to be finished by the end of the year.

Mr Fowler said that when it was completed, the Government would have a choice of allowing the companies concerned to bring about change themselves, or acting to enforce it through legislation. He said: "There is no question that restrictive practices exist. The Government is concerned with reducing restrictive practices not only in this area, but in others as well, and this seems a logical starting point."

If the inquiry went smoothly, it was possible that the Government would then look at other industries. "We could have other references of this kind and I think people should take note of that," Mr Fowler said.

The announcement dismayed both employers and trade unions in the film and television industries. The ITV Association, the joint employers body for independent television, said it had advised the Government that an inquiry was unnecessary.

The BBC said it would co-operate with the inquiry in any way that it could, but insisted that it "remained scrupulous" in ensuring that excess staffing costs did not lead to the wasting of the viewers' licence fee.

Several ITV companies have recently published proposals for changes in working agreements intended to cut their staffing costs and prepare them for increased competition within British broadcasting from satellite and cable stations.

Mr Roy Lockett, ACTT deputy general secretary, described the move as "an unprecedented attack on free collective bargaining."

Tyne Tees Television yesterday announced a new agreement with the ACTT technicians' union allowing flexible rostering and crewing which it described as a breakthrough for independent TV companies, *writes John Gapper.*

The deal follows a similar one reached with members of the EETPU electricians' union at Tyne Tees in November after the company dismissed all 36 of its electricians until the union agreed to changes.

Tyne Tees said the deal allowed it total flexibility in all technical and operational areas, and gave it future freedom to introduce new equipment without protracted talks.

The company has agreed to relate 10 per cent of the basic pay of its 249 ACTT members to future profit rises, and will cut the workforce through natural wastage rather than compulsory redundancies.

Rulebook of life insurers under fire for 'lack of disclosure'

By Clive Wolman

SIR Gordon Borrie, the Director General of Fair Trading, yesterday stepped up his attack on the way in which the life insurance industry has, he says, been exploiting the new self-regulatory investor protection framework to protect its own interests.

His hard-hitting critique of the second part of the rulebook of the Life Assurance and Unit Trust Regulatory Organisation, published yesterday, increases the pressure on Lord Young, the Trade and Industry Secretary, to insist on fundamental changes before Lautro can be recognised as one of the five self-regulating organisations. Sir Gordon is required to report to Lord Young on any anti-competitive aspects of the new self-regulating organisation rulebooks.

In both his reports on the Lautro rulebook, the first of which was published four weeks ago, Sir Gordon has criticised the lack of information given to the customer about how much of his investment in life policies is disappearing in selling costs. In the second report, Sir Gordon states that the Lautro rules permitting the non-disclosure of brokers' commissions, amount "to a price-fixing agreement and deprive the intending investor of information vital to a major transaction already marked by its lack of transparency."

The focus of his criticisms in the second report, however, is on the lack of disclosure of the expenses charged on with-profits life assurance policies. The limited degree of disclosure of expenses required by Lautro, and the assumptions about expenses used in long-term projections of returns made by salesmen, are "more likely to mislead than inform the investor."

A standardised technique should be developed, Sir Gordon says, to allow the expenses charged by each company to be disclosed in a simple, standardised form. He notes that the accountancy firm Peat Marwick McLintock has concluded a study, which shows a method by which expenses could be compared. But he rejects the Peat Marwick suggestion that such information should be made available only on request. It "should, I believe, be given to the investor as of right."

Sir Gordon says he hopes that new provisions, possibly based on the Peat Marwick technique, should be in place later this year. Although the absence of such a technique, while the details are still being worked out, does not yet make the Lautro rule significantly anti-competitive, "any lack of vigour in bringing it forward could well make it so," Sir Gordon says.

Nurses to keep no-strike policy

BY CHARLES LEADBEATER, LABOUR CORRESPONDENT

MEMBERS of the Royal College of Nursing, the nurses' union which is not affiliated to the Trades Union Congress umbrella body, have voted by about four to one to reaffirm the college's no-strike policy.

In a consultative ballot on whether the college should continue to oppose strikes and other forms of industrial action which could harm patients, 107,492 members or 79 per cent of those polling voted to uphold the policy, with 27,736 against.

The turnout of 51 per cent of the college's 268,000 members was the highest of the four ballots held in recent years on the college's no-strike policy. About 1,000 members spoiled their ballot papers, some in protest at the wording of the ballot paper.

Some members criticised the college's leaders for phrasing the ballot paper to encourage a strong vote against changing the policy by implying that all industrial action inevitably harmed patients.

The proportion in favour of keeping the college's no-strike policy was higher than in three previous ballots, but significantly down on a ballot in 1980 in which members voted eight to one against changing the policy.

Mr Trevor Clay, general secretary of the college, said the ballot conclusively demonstrated that RCN members did not want to join strikes in the wave of protests over the funding of the National Health Service. Members of both the TUC-affiliated Nupe and Cohse unions have staged one-day stoppages during recent protests.

Mr Clay said the vote would strengthen the college's hand in its campaign to press the Government for increased funding on the NHS.

Lex steps into US car retailing

BY JOHN GRIFFITHS

LEX Service, which claims to be the UK's largest vehicle distributor, yesterday announced the first substantive step by a British public company to penetrate car retailing in the US.

It plans to invest \$13.5m in a joint venture with a California-based company, Campbell Automotive Group, which has seven retail dealerships and two body repair shops with combined sales of \$140m.

The agreement follows a 15-month study by Lex into the US car retailing market. It is subject to the approval of the seven car makers whose franchises Campbell holds.

Their reaction, particularly that of Ford, is expected to be closely watched by the US retail car trade. North American manufacturers have traditionally resisted all attempts by indigenous dealers to go public. There are now no publicly-quoted companies retailing cars in the US.

Under the agreement, the \$13.5m Lex will invest in Campbell will provide Lex with a 50 per cent stake in the company.

Citröen accelerates its UK sales drive

BY KEVIN DONE, MOTOR INDUSTRY CORRESPONDENT

CITROEN, the French car maker and part of the Peugeot group, aims to increase its sales in the UK new car market by at least 25 per cent this year.

Citröen has achieved the fastest rate of growth of any significant UK motor manufacturer or importer in the past three years, and has doubled its share of the market since 1985.

Mr Bernard Peloux, managing director of Citröen UK, the group's wholly-owned UK importer, said the company was aiming to capture more than 3 per cent of UK new car sales this year, compared with a share of 1.5 per cent in 1985 and 2.3 per cent in 1987.

Higher sales volumes have helped boost Citröen UK profitability and the company achieved pre-tax profits of £2.41m in 1987 on a turnover of £239m, compared with barely breaking even in 1986 and accumulating losses in the two previous years.

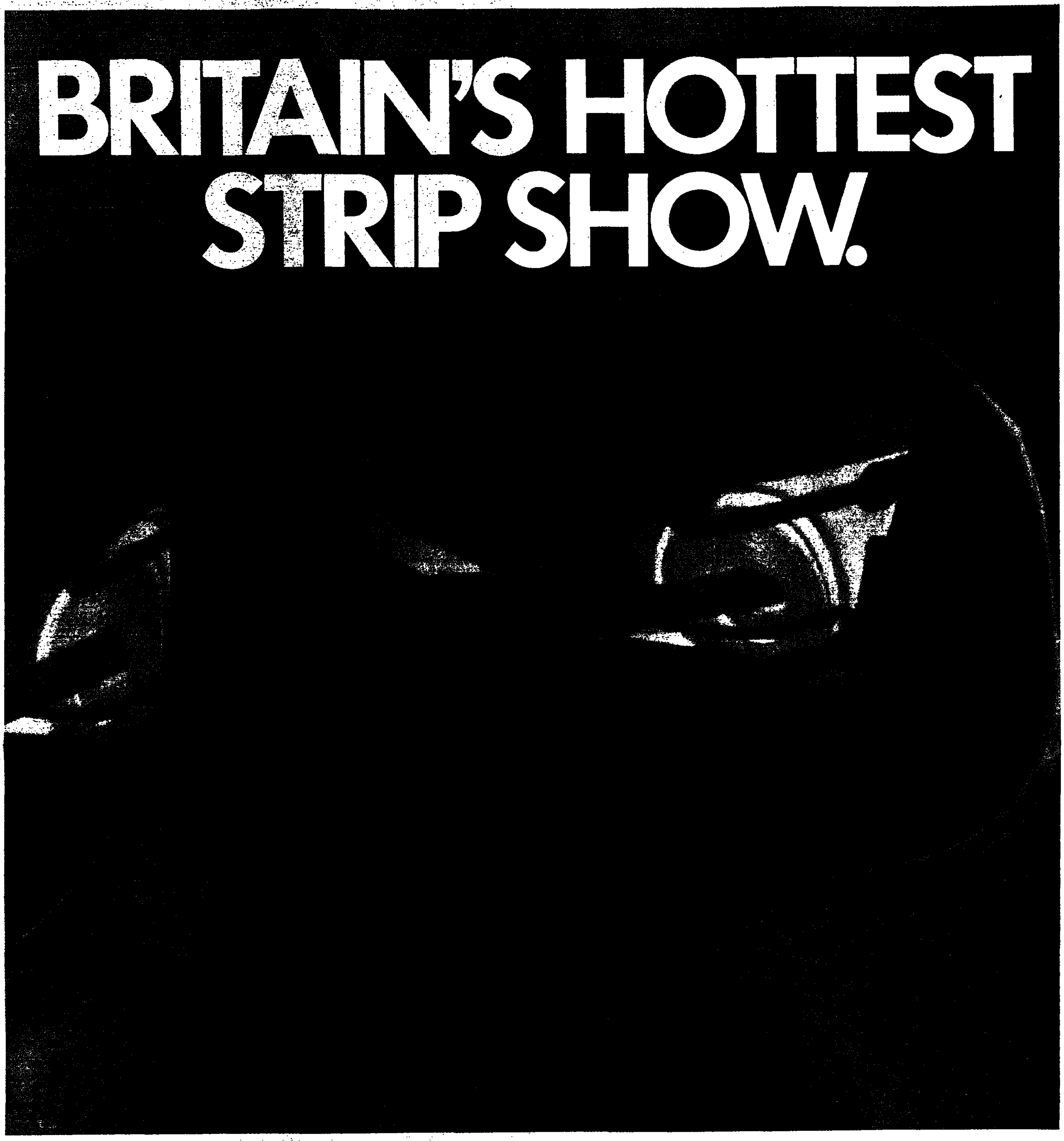
Last year, Citröen increased its UK car sales by 38.6 per cent to 46,014 units, following a jump of 25.3 per cent in 1986. For 1988, Citröen has budgeted for sales of more than 60,000 units.

Citröen's climb in the UK car market has owed much to the success of its mid-range BX model, which increased sales by 29 per cent in 1986 and 42 per cent in 1987. The BX diesel is the best-selling diesel car in the UK, a sector which accounted for 4.63 per cent of car sales last year.

Since last July, Citröen has broadened its attack on the UK market with its entry into the supermini sector with its AX model. Citröen has sold more than 10,000 AX models in the first eight months since its launch, and hopes to achieve sales of around 20,000 units in 1988, helped by the launch of a five-door version next month.

Mr Peloux said that Citröen was beginning to make inroads into the all-important UK fleet market. Fleet purchases are believed to account for 40-45 per cent of new car sales in the UK and other company purchases for an additional 20-25 per cent. He said that Citröen was seeking to increase its penetration of the UK fleet market in preparation for the launch of a replacement CX executive car in 1989/90.

To increase its sales volumes, Citröen is seeking to expand its UK dealer network to around 280 outlets and to increase the size of individual dealerships.



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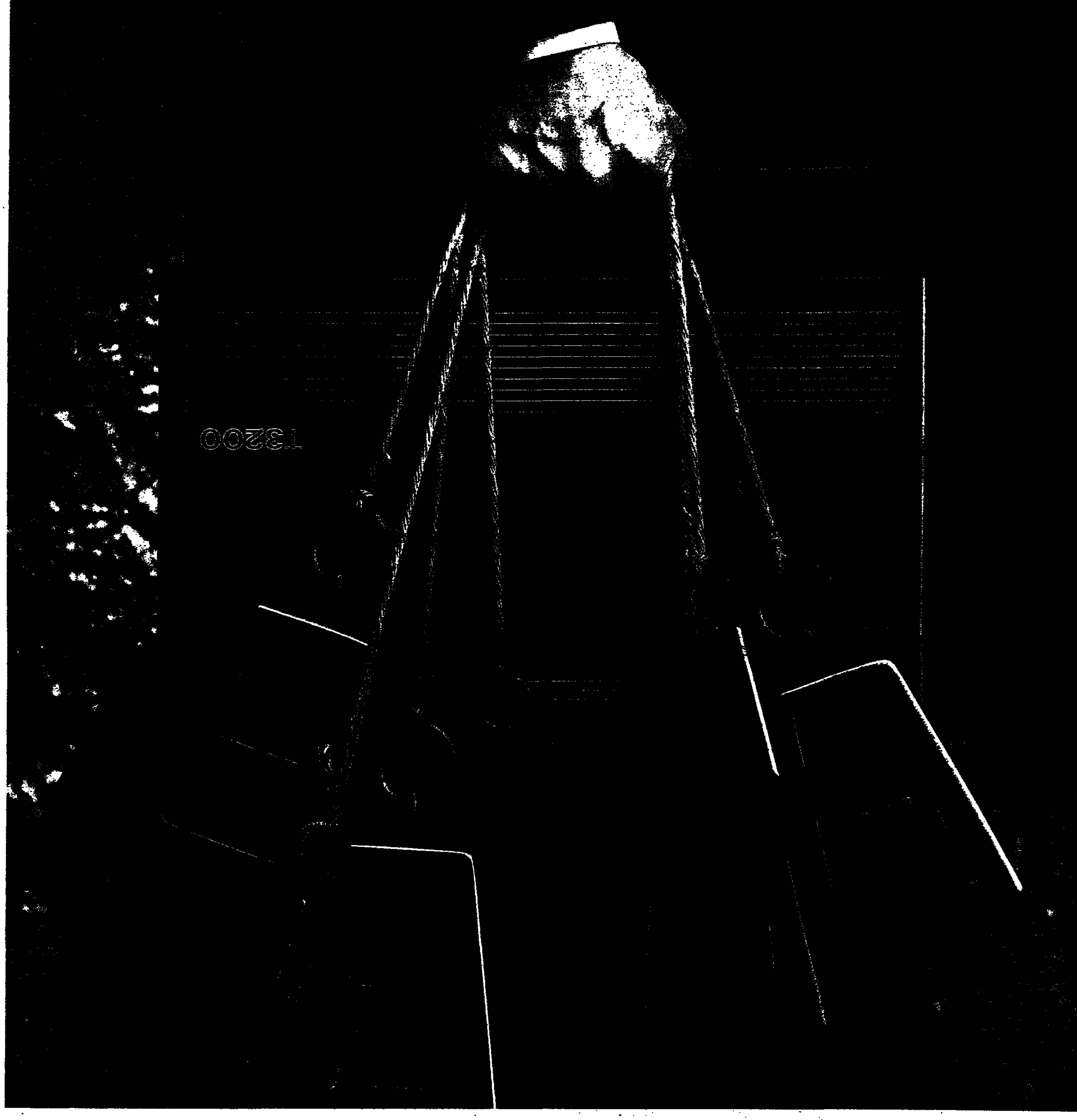

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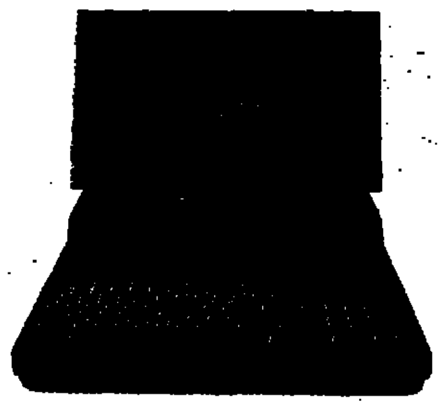

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UK NEWS

Criticism mounts as new twists sour run-up to A-Day

Britain's controversial new investor protection system takes effect on April 29. **Clive Wolman** examines the role of the SIB


Change of face: Sir Kenneth Berrill (left) and David Walker

THE SECURITIES and Investments Board, overseer of the City of London's self-regulating organisations (SROs), has had to bear the brunt of criticisms against the complexity and bureaucracy of the new investor protection regime scheduled to come into force on April 29, A-Day.

The mounting criticisms, led by some of the heads of merchant and clearing banks, *culminated* in the last month's decision to replace Sir Kenneth Berrill, the SIB chairman, with Mr David Walker, a Bank of England director, at the end of May. Most of the SIB staff continue to believe that Sir Kenneth has been made the scapegoat for failings whose origins lie elsewhere and which, in any case, have been greatly exaggerated. But Mr Walker has already met the staff and reassured them that there will be no downgrading of the SIB's status.

However, the latest level of complexity to be added to the rulebooks, support the argument that the primary cause of the twists of the new regime has been the need to strike a compromise between firms' existing practices and the purest regulatory principles.

Although the bulk of the new rules will take effect on April 29, an increasing number have been subjected to transitional arrangements which will apply until July 1, August, October or even as late as January of next year. Consequently, both investors and practitioners scouring the rulebooks of the relevant SROs for enlightenment on some disputed practice, will also have to check whether the relevant rule is subject to any transitional provisions and, if so, what they are.

One of the most contentious outstanding issues which has to be resolved by August is the investor compensation scheme, provision for which was inserted in the Financial Services Act in the final stages of its passage through Parliament 18 months ago. The SIB is currently going through a process of *formal* consultation with the five SROs, as legally required, on how the scheme will be structured and financed. Underlying *it is the* critical question of the extent to which one group of practitioners, in particular the large investment banks and securities firms, will have to bail out the clients of those insurance and commodity brokers which become insolvent.

The Stock Exchange, which has a long-established compensation fund, has led the opposition against any form of liability of one SRO for the failings of a member of another SRO. The hostility of its members to bailing out other firms is likely to be increased as a result of the SIB decision not to require SROs to build up compensation funds. Instead, whenever an insolvency occurs, a levy will be imposed on all the members of the relevant SRO. The SIB will set a scale of maximum levies and once that ceiling has been reached, other SROs will have to pay up to make good any shortfall.

In other areas, the SIB has defused some of the hostility to the new framework by its transitional arrangements. The SROs have been told that the SIB will consider a temporary relaxation if they find that a whole class of investment firms is unable to comply with some particular rules.

The main area in which the SIB has been forced to make concessions has been the capital adequacy rules designed to ensure that all firms have a minimum level of capital to cushion them against risks. Those securities firms which are unable to mobilise sufficient capital to meet the requirements are being allowed to provide a guarantee from their bank or parent company, at least until the end of the year.

Meanwhile, the process of authorising investment firms has been continuing with fewer hiccups than the SROs expected and without any major lacunae in the SIB or SRO rulebooks being uncovered. However, the Securities Association, which can draw on the experience of Stock Exchange staff in vetting firms, looks like being the only SRO to complete the authorisation of all firms except the most difficult cases, by April 29. The other SROs do not expect to finish until the late summer or autumn.

Although the SROs are carrying out nearly all the authorisation work themselves, the SIB has itself received direct applications for authorisation from 108 firms. Just under half of these are building societies, which have no SRO of their own, and most of the remainder are described as refugees from Fimbra, the Financial Intermediaries, Managers and Brokers Regulatory Association, the SRO which covers insurance brokers and small financial advisers. A few firms have applied to the SIB, as well as an SRO, fearing that they may be rejected by the SRO.

The SIB itself is gradually increasing its staff from 125 now to what is expected to be 170 by next year. A staff of about 20 will be needed to take over responsibility in July for monitoring unit trusts from the Trade and Industry Department. More staff will also be needed to liaise with regulators overseas, particularly in the US and the European Community.

In Brief

Texaco announces gas find in North Sea

Texaco yesterday announced a promising gas discovery in the Erskine Prospect of the North Sea, about 145 miles east of Aberdeen, *writes Steven Butler.*

An appraisal well flowed at a combined rate of 46.8m cubic feet per day of gas and 9,870 barrels per day of condensate from two tests. Texaco operates the well and has a 49 per cent interest in it, with the balance held by Britoil, the BP subsidiary. Stock broker Wood Mackenzie estimates the field could hold 500bn cubic feet of gas and 30m barrels of condensate. This would include reserves of a neighbouring licence for a block where BP has been conducting test drilling.

Soft drinks in the can

Britvic Corona, the soft drinks company, has announced a £30m joint development project with Continental Can of the US at Britvic's Rugby plant in the English Midlands. Continental will build a can making plant which will increase Britvic's national canning capacity by 25 per cent.

Britvic Corona, owned by Bass, Whitbread and Allied Lyons, was formed in January 1987 as a result of rationalisation in the *soft drinks industry.*

Premier expands again

Premier Brands, the company set up after a £97m management buyout from Cadbury Schweppes in 1986, has bought the London Herb and Spice Company, a manufacturer of herbal teas, for an undisclosed amount.

The acquisition is Premier's eighth since the buyout and expands its tea portfolio which includes Typhoo and Ridgways. The herbal tea market is the fastest growing sector of the beverage market.

Lack of rented housing

A shortage of rented and low cost housing is aggravating the health divide in Britain, according to the housing charity, Shelter.

Shelter said there was now a a great shortage of houses to rent at a price people could afford. Shelter said the situation was worst in the south east of England where a supply of affordable houses was not coming onto the market.

EC funds sought for UK's 'celtic fringe'

By David Buchan in Brussels

THE UK is to press for the poorer and more remote parts of Scotland, Wales and the West Country to be added to a list published by the EC Commission of regions which are to be prime beneficiaries of substantially higher European Community aid.

Community leaders agreed at last month's Brussels summit that the regional, social and agricultural guidance funds, known as structural aid, should be nearly doubled to ecus 13bn ($10.6) in 1992 from ecus 7.8bn this year, with an actual doubling aid sums going to so-called objective one backward regions.

Last week, as part of its job of turning the broad summit conclusions into detailed legal regulations, the European Commission published which it considered such backward areas.

The list comprises the whole of Greece, Ireland, Portugal, 10 Spanish and eight Italian regions, France's overseas departments and Corsica. No UK regions were included, apart from Northern Ireland.

Britain has been pushing for several months for the inclusion on the list of the Scottish highlands and islands, rural Wales and Devon and Cornwall, areas loosely known as the celtic fringe, as being among the most backward regions and therefore those most eligible for higher aid.

The problem is that the main yardstick for inclusion in this category is that regions have a gross domestic product per head less than 75 per cent of the community average.

All mainland UK areas have a per capita GNP higher than this, around 80 per cent in the case of the Scottish highlands and islands.

UK diplomats are hopeful, however, that in forthcoming ministerial negotiations, they can exploit a formula agreed at the summit which allows regions which approach the 75 per cent income measure to qualify, for special reasons.

In the case of the Scotland and Wales, the British Government will argue that areas on Europe's periphery need special help both to promote jobs in the areas and to offset extra costs there, such as transport.

The general increase in the funds may lessen the temptation for member states to try and knock each other's regions off the priority list.

With the near doubling of total funds by 1992, each beneficiary is likely to see the absolute level of its receipts rise, even if its relative share declines.

● A £8.5m shopping development in the Northern Ireland resort of Bangor, County Down, will create 250 jobs it was announced yesterday.

Anthony Moreton looks at a £1m campaign for south east Wales

Moving to put Cardiff on the financial services map

A DRIVE to develop south east Wales, and in particular Cardiff, as a centre for the financial services industry was launched in London yesterday by Mr Peter Walker, the Welsh Secretary.

A consortium - comprising the counties of South Glamorgan and Gwent, two district councils in Newport and Cardiff and the Welsh Development Agency together with the Cardiff Bay Development Corporation - is to spend £1m over the next two years in a campaign to attract insurance, banking and other financial concerns to the area.

Mr Walker said there had been "enormous changes" in the region's economy over the past 40 years. Coal and steel accounted for no more than 8 per cent of gross domestic product compared with 47 per cent just after the Second World War and in its place had come newer industries, especially from abroad.

"Last year, Wales won 20 per cent of all the inward investment coming to the UK," he said, "much of it from Japan, the US and West Germany, and there is more to come." South-east Wales had much to offer, not least lower costs. The cost of running a financial services operation in this part of Wales was about 75 per cent below London, he said.

Time of change for Cardiff

Mr Stephen White, investment director of the WDA, who will spearhead the campaign, said 65,000 people were employed in financial services in the region, a total about to be enlarged with the arrival of the Trustee Savings Bank insurance unit in Newport and the Patent Office in Cardiff.

The message about south-east Wales was spelt out in rather more detail last night to a gathering of 150 of the great and the good in the City of London. Every leading institution and firm in the Square Mile, from the Bank of England to the commercial property world and including overseas concerns such as Daiwa Securities and Dresdner Bank, heard Mr Walker tell them about the benefits of moving some of their operations to Wales.

There has been a huge change in the way companies operate, Mr White says. "Many of them have been re-appraising their needs and we believe this part of Wales offers them the conditions for their future expansion."

Earlier attempts to develop Cardiff foundered on the unwillingness of institutions to move out of London. Mr White believes the time is more propritious now because of rising costs in the south east of England, staff shortages, high labour turnover and the introduction of new technology to financial dealing.

The strategy behind the campaign is to build south-east Wales into a second Edinburgh and to challenge the pre-eminence that Bristol and Birmingham have in western Britain.

To take on Bristol and Birmingham is a difficult task. Birmingham has been established as a major financial centre for a long time and Bristol has recently emerged as an important player in this market. It has attracted the head offices of four large insurance companies, is represented by all major insurance companies and has a host of allied financial institutions.

This challenge does not deter Mr White. "Cardiff is an important centre of government and we have the invaluable backing of a senior cabinet minister like Mr Walker when it comes to prsenting our case. All the major accountancy firms are here and other professionals, such as the solicitors, are able to undertake work that previously could only be done in London.

On top of these attractions Cardiff is undergoing an metamorphosis as its decaying docklands is being transformed, through an urban development corporation, into what Mr Walker described as one of the most important development projects in Europe.

The launch of the campaign presages a switch in investment interest from manufacturing towards financial services. "Manufacturing investment will always be welcome," Mr White says, "and will continue to play an important role in the Welsh economy. But we intend to see that in future this is one of the most important financial service sectors in Britain. That is the importance of what we shall be doing over the next two years."

Irish Labour party in IRA talks

BY KIERAN COOKE IN DUBLIN

NORTHERN Ireland's mainly Catholic Social Democratic and Labour Party has had a series of talks with Sinn Fein, the political wing of the Irish Republican Army, to try to bring about a ceasefire in the province.

News of a meeting last Wednesday between Mr John Hume, leader of the SDLP, and Mr Gerry Adams, Sinn Fein president, became known yesterday in Belfast.

The SDLP said that at the meeting Sinn Fein had been urged to tell the IRA to call off its campaign of violence. The SDLP said that while it was not hopeful that the IRA would stop its violence, the situation was not entirely hopeless.

This was the third round of talks Mr Hume has had with Mr Adams. At last week's meeting several other senior SDLP and Sinn Fein figures were present. At the weekend Mr Hume won full endorsement from his party to continue his discussions with Mr. Adams. The meetings between the SDLP and Sinn Fein leaders have been bitterly criticised by Unionist politicians.

Mr Hume is due to meet Mr Tom King, the British Government's Northern Ireland Secretary, today for talks aimed at bringing together all constitutional parties in the province and to try to break the present political deadlock. Mr Hume is expected to brief Mr King on aspects of his talks with Mr Adams.

The Unionists have said that they will not co-operate in any direct talks on the political future of Northern Ireland until the Anglo-Irish agreement, set up to give Dublin limited say in the running of Ulster, is put aside.

A neglected discipline comes into its own

Quality is becoming an increasingly important competitive weapon. Charles Batchelor explains why

IT WAS NOT unknown, says John Krouse, founder and managing director of a small Oxfordshire engineering company, for a part to be made up for a customer using the wrong engineering drawing. This could happen if original specifications were improved on but the upgrading was not recorded on the company's files.

"If we made the part to the obsolete drawings the customer would say 'hard luck'," John Krouse recalls. "It could cost us thousands of pounds."

Less dramatic but no less costly in the long run was the recurrent problem Krouse's workforce had in finding the tools needed for special jobs.

"You could spend three hours looking for a drill jig or a milling or turning fixture and it would turn up under someone's bench," he says.

The problems faced by J.D. Krouse Engineering, which has 35 employees and turnover of £1m, are typical of the everyday irritations faced by small manufacturing companies. But just over a year ago it introduced a system which not only resolved many of its basic inefficiencies but, it says, has had a fundamental impact on product quality.

After 18 months of preparation the company qualified for British Standard 5750, which lays down rules on how a company can improve its quality controls.

J.D. Krouse now has a formal procedure for checking incoming orders to make sure the part required is the same one for which the company quoted; that the issue numbers on the drawings tally; and that the customer has not doubled the work involved by redesigning the part.

To overcome the problem of mislaid equipment, all tools and production aids are numbered and catalogued.

Quality management has long been a neglected management discipline, largely because it is difficult to establish its impact on profit margins. But with customers increasingly demanding better quality many companies in Europe are rethinking their attitudes. This reassessment has prompted not only a greater general awareness of the need for improvement but also a move by consultants and more progressive companies towards the concept of quality assurance rather than just quality control.

The former means designing the production process to prevent faults occurring in the first place while quality control involves checking goods for faults at the end of the production line — the most expensive and difficult time to put them right.

The Government has confirmed its interest in the subject by including quality management in the Enterprise Initiative unveiled by Lord Young, Trade and Industry Secretary, in January.

Added urgency was given to the quality issue in February when Britain adopted a European Community directive which lays down far stricter product liability legislation. Under the 1987 Consumer Protection Act customers no longer have to prove negligence to stand a chance of successfully suing a company.

All this has meant that the need for quality managements is no longer seen as the preserve of the larger company but is spreading out to the smaller business. However, for the smaller company to introduce such a system can be a major task.

"When a company introduces BS 5750 it is probably the first time — apart from standard financial systems — that it has set down a formal control system by which to operate," says Chris Reddall, a consultant with accountants Coopers & Lybrand. "It is therefore a significant cultural step for an organisation."

Introducing quality assessment places a heavy burden on the management of the smaller company. It took John Krouse 18 months to adapt his procedures and write the quality assurance manual that BS 5750 requires. "We are running a busy shop," he comments. "We had to fit in with the normal run of work."

Geoff Doole, business development manager at the British Standards Institution, argues, though, that adopting a quality assurance system should be part of the natural development of a small company. "It's not bureaucratic," he says. "It's a practical system which helps a company change its style of operation to manage growth."

Certainly more and more companies have been taking it up. There are currently 3,000 companies certified to BS 5750 and, says Doole, a further 1,000 are being registered each year. Many of the new ones are very small.

Introducing quality assurance means a company has to take a hard look at every aspect of its business — from before its raw materials come in through the delivery bay until after the finished order leaves the factory.

An important part of quality assurance is keeping records of the way things are done and of the progress of products through the factory. This way any errors can be picked up quickly and put right.

Companies assessed to BS 5750 can expect at least two inspections a year to see they are keeping up standards.

"They usually come for a day and pick out a segment such as our goods inward procedure or our stores and do an in-depth study of that," says Tom Cullen, operations director of HTEC, a Southampton computer and communications equipment company with 130 employees. "They have picked us up on minor things."

Companies which do let quality slip will be given a second chance but if they fail to respond they will become one of the five or six to be delisted each year by the BSI.

Ironically, the main problem faced by many companies is that they set themselves too high standards. JR & E Russell, a Wednesbury-based joinery company with turnover of £3m and employing 85 people, provides a graphic example of what can go wrong.

Six months after obtaining its BS 5750 certificate Gordon Bates, the managing director, wondered whether the company still had a future. Production fell catastrophically because the workforce was so thorough in checking quality.

"We introduced a system in which the man on the shop floor had to sign off an item. This meant you could pinpoint someone if anything went wrong. The men didn't like being pinpointed so they made sure it was correct," Bates recalls.

The impact on Russell's performance was dramatic. From a profit of £85,000 in 1985 it plunged to a loss of £120,000 in the 16 months to February 1987. The company is now back in the black but it had been a close thing.

"The problem solved itself as the workforce got used to the system," says Bates, "I really don't know how we could have done it differently."

Why do companies undergo the pain and the costs — sometimes running into tens of thousands of pounds — of introducing quality assessment and what do they get in return?

The most common reason is pressure from customers. FHS Automotive Parts, a manufacturer of foam car seats based in Tredegar, South Wales, decided it needed to improve its quality management when it had problems making seats of the correct firmness for Peugeot Talbot.

FHS adopted what is known as the Taguchi method — named after a Japanese engineer — to simplify the process of determining just how to make seats of the correct firmness. The company, which employs 80 people and expects 1988 turnover of £8m, is currently working towards a BS 5750 certificate.

More companies, too, are starting to appreciate the cost of production bottlenecks, high scrap rates and the need to rework unsatisfactory products.

"There are many examples of quality costs — wastage, inspection, testing and taking corrective action — reaching 20 per cent of sales," says Reddall. "This could be reduced to 5 or 6 per cent by introducing quality assurance."

FHS says it has cut its reject rate from 9 per cent to below 3 per cent over the past three years.

Smaller companies in particular see a BS 5750 certificate as giving them additional status with potential customers. "A large company may not have heard of us but if they know we have a BS 5750 certificate they can feel reasonably confident," says Alan Cobb, commercial director of HTEC.

But the benefits of quality assurance can sometimes appear elusive. John Krouse says it is impossible to assess the impact on profits because so many other economic factors have changed in recent years. He is pleased to have just about maintained profit and turnover levels despite the engineering recession. Gordon Bates at Russell says that in the past no records on scrap rates were kept so comparisons are difficult.

Quality assessment can revolutionise the way a company works but like most revolutions it has its casualties.

Gordon Bates of JR & E Russell: production fell catastrophically because the workforce was so thorough in checking quality

More help for the helpers

Charles Batchelor on a study which aims to improve agencies' cost-effectiveness

AN EXTENSIVE network of organisations providing advice to the small businessperson has grown up in Britain in recent years. Best known are the local enterprise agencies, now numbering more than 300 and backed by private enterprise and government funds.

Alongside these sources of general advice have come a number of more specialised agencies providing help in fields such as technology and marketing — both problem areas for smaller companies. Now a government study* has been made of 12 of these specialist organisations with the declared aim of helping both existing and new initiatives become more effective and provide greater value for money.

On the technology side, the organisations reviewed range from Aston Science Park in Birmingham through the Hull Innovation Centre to the Sandwell Industrial Resource Centre in the West Midlands which specialises in advice on computer-aided design and manufacture. Marketing initiatives include the Nottingham Fashion Centre and the Small Firms' Marketing Centre in Bristol.

A key question for the agencies is funding. Most depend on a mixture of government, local authority and private sector finance.

Private sponsorship not only provides additional resources but it also gives projects added appeal in the eyes of clients and other potential sponsors, the study notes. Both the Hull and Sandwell initiatives have been imaginative in seeking funds, the former by replacing Community Programme finance with support from the European Social Fund, the latter by tapping Manpower Services Commission training programmes.

Some of the agencies, such as Aston Science Park, target companies which can pay a commercial rate for the service they receive. Those initiatives which aim to help very small businesses are likely to require continuing levels of subsidy and should not expect to become self-financing for several years.

When initiatives or their sponsors decide to become more "commercial" they should realise this may change the nature of the project significantly from its original objectives. The potential for job creation, the original aim of many of the agencies, may be diminished, the study says.

Making a charge to clients can allow projects to become more independent or improve their services but opportunities to do so may be limited; and the costs of fee collection and the likelihood of bad debts may make it uneconomic.

One organisation which has taken the decision to move upscale is the Bristol marketing centre. Originally established to target companies with fewer than 10 employees it is now shifting its emphasis to companies employing between 20 and 300 staff with turnover of £100,000 to £5m.

This is partly because six enterprise agencies are now established in its area, so fewer small firms come to the centre directly, and partly because the ending of government funding means it must target clients able to pay.

Charging membership fees is one option. The Nottingham Fashion Centre tried this but found it difficult to sustain numbers because the benefits of membership were not exclusively available to members.

Royalty earnings is another possibility for organisations such as innovation centres. The Hull Centre, for example, seeks agreements giving it 0.5 per cent of turnover as a royalty in a product's first seven years in the market. A long time-scale is involved, however, and there are doubts about how effectively such agreements can be enforced.

To succeed, local initiatives must set themselves clear objectives and monitor their performance against them, the study says. The Bristol marketing centre, for example, stopped running joint exhibitions (involving a dozen or so firms in the same sector) because they were time-consuming to organise, not well-attended and faced growing competition from commercial organisations.

Choosing a suitable organisational structure is also important. Most of the agencies in the study have been set up at "arm's length" from local authorities.

This gives greater autonomy and scope to be entrepreneurial, creates a better image in the eyes of potential clients and private sector sponsors and carries legal advantages including the scope to charge for services.

The study's remarks on the funding and the future of small firms' advice agencies may be of particular interest to the local enterprise agencies, which are currently reviewing their own position, but it is aimed at a wide range of readers including those with local authorities, development corporations, colleges and private sector companies involved in community projects.

**Developing Businesses. Good Practice in Urban Regeneration. Prepared for the Department of the Environment by Derrick Johnstone and others. HMSO Books, 134 pages, £11.95.*

Cross-border venture capitalists needed

A SCHEME to increase the number of venture capital managers skilled in arranging cross-border deals has been launched by the European Venture Capital Association with the help of European Community funding.

The rapid growth of venture capital throughout Europe has led to a shortage of experienced executives, particularly those capable of putting together deals which require funds to be raised in more than one country.

The association is keen to promote cross-border financing as a way of reducing barriers in the community. Companies not only receive funds from more than one source; they also gain access to local market information.

Cross border deals worth Ecu157m (£109.9m) were completed in 1986. They accounted for 11 per cent of funds invested by venture capitalists in Europe compared with 7 per cent in 1985.

The association hopes to provide 24 managers a year with a combination of a three-day training session, probably in Brussels, and a two to three month secondment with a venture capital company based in another community country.

This will give the managers first-hand experience of another European market and will also provide the host company with information and experience of the manager's home market. It may lead to co-operation between the two companies involved.

The European Commission is to help finance the scheme as part of its programme to boost co-operation between small firms in the community. The EC will pay the cost of the training seminar and up to Ecu6,000 in compensation to venture capital companies which second managers.

The EVCA programme is similar to an exchange scheme operated by the National Association of Small Business Investment Companies in the US.

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Funds are available to assist management buyouts by the sale of freeholds and leaseholds. Completion arranged simultaneously with acquisition of business.

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Tel: 01-221 1544

LEADING TRANSPORTATION ENGINEERING COMPANY SEEKS COLLABORATION WITH NATIONAL OR INTERNATIONAL COMPANY

A unique opportunity has arisen within a SE based transport engineering company to offer manufacturing/CKD assembly/reconditioning/facilities for manufacturers and organisations in the road, rail, marine and light aviation industries.

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Telephone: 0622 831826

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Incorporate and manage companies in: UK, Isle of Man, Gibraltar, Turks, Anguilla, Channel Islands, Panama, Liberia, Hong Kong etc., and provide full domiciliary and nominee services.

Brochure and details of fees from: Springfield Court, New Castletown Road, Douglas, Isle of Man. Tel: (0624) 26800 Fax: 0624 28866 Telex: 628554 ICSIOM G

London representative:
International Company Services (UK) Ltd., Standbrook House, 2-5 Old Bond Street, London W1. Tel: 01-493 4244 Fax: 01-491 0605 Tlx: 28247 ICSLDN G

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£20,000 to £150,000 for active equity participation in any realistic proposition with potential for growth.

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Motor vehicle related activity seeks a finance partner with hands-on electronics, engineering and marketing expertise to further develop a motor vehicle concept employing some novel technology with world wide applications.

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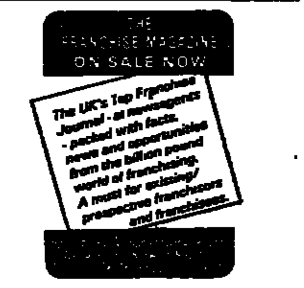

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Fax: 0244 319136

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If you are the owner of a growth business you need to have a proper valuation as at 31st March 1982. GREENE & CO will be delighted to:

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Tax relief before 5th April

Sussex BES specialises in asset backed Sussex Businesses. Still has some capacity to accept BES investments before 5th April.

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ICS (Management Services) Ltd
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Telephone: 01-378 7591

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HIGH SPEED PANEL PRESSES

Good quality used presses from the German automotive industry.

400 ton.	1800 mm x 1250 mm Bed.	42 spm	
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INTERNATIONAL POWER PRESSES LIMITED
Tel: (0384) 465411 Fax: (0384) 465911

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FOR FURTHER DETAILS AND ADVERTISING RATES PLEASE CONTACT:
JAMES PASCALL
01-248 8000 extension 3524

Businesses Wanted

ACQUISITIVE PLC

Seeks opportunities in the garment industry field

Write in confidence to:

Box H3283, Financial Times,
10 Cannon Street, London EC4P 4BY

CHEMICAL MANUFACTURING COMPANIES REQUIRED

Long established International Chemical Manufacturing Group seeks additional manufacturing companies in the Organic Chemical Sector to augment its future growth.
Ideal companies should have at least 3 years profitable growth record, with current pre tax profits not less than £500,000 p.a. together with good sound management.
Apply in confidence to:
J.M. Hirst, Group Financial Director,
Manro Holdings Ltd, Bridge House, Bridge Street,
Stalybridge, Cheshire, England.

CAR DEALERSHIPS

We are a publicly quoted company with a highly successful and growing group of franchised car dealerships. As part of our expansion plans we wish to purchase franchised dealership businesses selling either domestic or imported makes of motor car. Suitable acquisition candidates should have annual sales of at least £4m.
Please reply in confidence to:
Box H3309, Financial Times,
10 Cannon Street, London EC4P 4BY

PUBLIC COMPANY SEEKS ACQUISITION OF

1. Amusement/gaming machines business
   and
2. Beers, wines and spirits wholesaler/distributor

Replies to Box H3288, Financial Times, 10 Cannon Street, London EC4P 4BY

Motor Trade Opportunities

Burlington Investments Ltd. are licenced dealers in securities and specialists in merger broking. We have several major PLC's seeking acquisitions in the retail motor sector, either individual dealerships or groups with several outlets. In addition contract hire or leasing portfolios would be of considerable interest.
Preliminary contact in strictest confidence and without obligation should be made by principals only with:
I.F. Jamieson C.A., M.C.T.
Managing Director
Burlington Investments Ltd.
(Licenced dealer in securities and specialists in merger broking)
25/28 Old Burlington Street, London W1X 1LB
Tel: 01-439 8411 Fax: 01-439 1879

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Medium sized quoted public company is actively seeking a consumer orientated manufacturing company (preferably with own Brand) with minimum profits of £1 million pa. Up to £40 Million available for acquisition. Existing Management can be retained. A suitably structured transaction can be considered to take into account the vendors requirements. Enquiries are invited from professional firms acting on behalf of their clients or direct from a potential vendor.
Write in first instance with outline details:
Box H3284, Financial Times,
10 Cannon Street, London EC4P 4BY

COMPANIES WANTED

Group with a very successful background of growth and acquisitions seeks further opportunities.
We are particularly interested in companies with a pretax profit in the range of £100,000 to £1,000,000 in the following fields:-
Paper and Packaging, Specialists Chemicals, Engineering, Health Care and Agricultural Machinery.
We will consider purchasing either a majority stake or 100% and would like existing management to join our team.
Please reply to Box H3222, Financial Times,
10 Cannon Street, London EC4P 4BY

LEISURE INDUSTRY

Our client a European quoted company, wishes to purchase for cash companies in the leisure industry with pre-tax profits in excess of £500,000 for the past three years.

Please write in strict confidence to: Sebastian, Chartered Accountants, P.O. Box 30, Ramsey, Isle of Man.

Warehousing and Distribution

business wishes to acquire a Warehouse of between 50,000 and 150,000 sq ft, with room for further expansion, in an area north of the Thames and within 10 miles of the Dartford Tunnel.

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£50,000 + available

Replies Box H3305, Financial Times, 10 Cannon Street, London, EC4P 4BY

PLC

wishes to acquire electronic equipment manufacturing company
Turnover £2-5m
Profits £100-300K

Write Box H3286, Financial Times, 10 Cannon Street, London EC4P 4BY

Small but Profitable

Company in Paper, Packaging, Printing or allied trades required to be intergrated into existing Cambridgeshire operation, with the possibility of some management needed for the new enlarged business.

Write Box H3298, Financial Times, 10 Cannon Street, London EC4P 4BY

PRIVATE COMPANIES REQUIRED

by Diversified PLC. Consideration Given to:
i) profitable situations
ii) recovery situations
iii) cash rich companies
Management retained if required.

In first instance write to Acquisitions Director Box H3308, Financial Times, 10 Cannon Street, London EC4P 4BY

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Flat/Circular Dubied, Foquest, Orizio, Bentley Knitting Machines

In excellent condition for sale in Lagos/Nigeria. Please contact Mr Gobind in London,
Telephone No: 01-253 6666,
Fax No: 01-251 8240 or
Telex No: 27236 COREXP G.

RAPIDLY EXPANDING PLC

Wishes to acquire cash rich companies.

Write to Box H3297, Financial Times, 10 Cannon Street, London EC4P 4BY

PLC Wishes To Acquire

Private Companies in the following related fields:-
Construction, Property or Housing.

Write Box H3310, Financial Times, 10 Cannon Street, London EC4P 4BY

PUBLIC WORKS AND ROAD SURFACING

A successful PLC wishes to expand its activities in the public works and road surfacing industry by the acquisition of successful businesses located along the M4 corridor.

Please write to the Group Managing Director, Box F8029, Financial Times, 10 Cannon Street, London EC4P 4BY

ELECTRONIC COMPONENTS DISTRIBUTOR

Our client is a well-established electronic components distributor wishing to acquire a similar company with a view to broadening his range of products and client base.

Please reply in strict confidence to:

Hazlems
Chartered Accountants
70-71 New Bond Street
London W1Y 9DE

SUCCESSFUL PRIVATE COMPANY REQUIRED

Successful medium sized fully listed plc in Electrical Engineering products field seeks to acquire a growing private company with profits in region of £500,000 - £1m together with owner/entrepreneur seeking listing to be appointed as Managing Director designate. Early assumption of full responsibility could be discussed.

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Financial Times, 10 Cannon Street,
London, EC4P 4BY

Businesses For Sale

UK Anthracite Mine For Sale

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Principals only please should write in confidence to: Arthur Young, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH, quoting reference SJLA 155, for futher details.

Arthur Young

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

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Offers are invited for the intellectual property rights to the above company's printing processes. The processes relate to direct printing onto cottons and other fabrics which have been patented worldwide.

For further information contact the Joint Administrative Receiver: Scott Barnes, Grant Thornton, St Johns Centre, 110 Albion Street, Leeds LS2 8LA. Tel: (0532) 455514. Fax: (0532) 465055. Telex: 557362.

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CHARTERED ACCOUNTANTS

FOR SALE

Profitable Manufacturing Company
West Midlands

- Small highly profitable Manufacturing & Distribution Business
- Established Many Years
- Leading Brand Name Product Range
- Turnover £750,000 per annum Net Pre-Tax Profit £375,000.

For Further Details please write to Box H3312, Financial Times, 10 Cannon Street, London, EC4P 4BY

EM&F

MID KENT - COMMERCIAL PRINTING BU. - Fully equipped with wide range of ed machinery/presses. DM lock-up unit. Long estab with good repeat bus. T/O £423,000. NP around £55,000. Sectors inc. £97,500 + s.a.v. Sole Agents (Ref M13643Z).
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MID WALES - LGE CARAVAN PARK & LEISURE CENTRE - Inland site set in glorious Welsh countryside. Good recreational facilities providing subst income. Price £480,000 + s.a.v. (Ref CP13177C)
HEAVY COMMERCIAL VEHICLE PAINT SPRAYING BUS. Subst prems with 2 fully equipped spraying bays. T.O. £456,000 41% GP. Excep profits. L/Hold £110,000 + s.a.v. (Ref WF10797C)
E. M & F Ltd., 18, Walsworth Road, Hitchin, Herts, SG4 9SP

APPOINTMENTS

TSB Private Bank posts

Mr Jean-Marc Lackenbacher and Mr Bertil Sjostrand have been appointed directors of TSB PRIVATE BANK INTERNATIONAL, Luxembourg, which opened in January. Mr Lackenbacher is head of private banking at Banque Transatlantique, Paris, which has a 5 per cent holding in the TSB private bank. Mr Sjostrand is joint president of Forsta Sparbanken, Sweden, which has a collaborative agreement with the new bank. Three associate directors have been appointed by TSB Private Bank International: Mr John D.K. Lawrence, who will be based in the bank's London *representative office – he was a* senior manager in the international banking division of Lloyds Bank; Mr Albert A. Bersheid, who will be responsible for capi*tal markets – he was manager in* the private banking department of Maryland Bank International in Luxembourg; and Mr Ole Brun, who will be responsible for dealing room activities – he was head of the private banking department of London Interstate Bank. Mr Robert Deed has been appointed company secretary – he was department head, correspondent banking at TSB England & Wales. Mr Bersheid, Mr Brun and Mr Deed are based in Luxembourg.

★

Mr Colin S. Charles has been appointed managing director of LAND & MARINE ENGINEERING, Merseyside, offshore engineering and construction arm of Costain Group. He was managing director of Costain (Africa) in Zimbabwe, and succeeds Mr Mike Reynolds who has retired.

★

CHELSEA ARTISANS has appointed Mr Graham Davies as works director and Mr Andrew Leach as sales director.

★

GILBERT GILKES & GORDON, Kendal, has appointed Mr John Figge as director of sales and marketing. He joins from Akron Brass, where he was in charge of European sales.

★

DUNLOP OIL & MARINE, Grimsby, part of Dunlop Offshore, has appointed Mr Michael Newton as director and general manager. He was managing director of Scapaflex.

★

RICKSON MATTHEWS APPLEY*ARD, Hull insurance brokers*, has appointed Mr Rod S. Johnson and Miss C. Barbara Johnson as directors, and Mr Gordon E. Cook as an associate director. Mr John W. Marshall and Mr Ivan G. Logan become directors of Matthews Appleyard (LP), and Products.

Mrs Alison Gaunt is made an associate director.

★

Mr Owen Rees has joined SECURITY PACIFIC NATIONAL BANK's project finance division as a vice president. He was with Lloyds Merchant Bank.

★

ZONAL RETAIL DATA SYSTEMS has appointed Mr John Lowe as director of marketing.

★

Mr Martin Butler has been appointed director of NATIONAL TELEPHONES (UK) service division.

★

Mr D. Owen has been appointed to the board of Hawker Siddeley subsidiary CROMPTON LIGHTING as sales director.

★

Mr Michael Andrews has joined the board of INDUSTRIAL *FINANCE AND INVESTMENT* CORPORATION as a non-executive director. Mr Barry Maloney becomes group chief accountant, and Mr Christopher Duckworth is made group financial accountant.

★

MR JOHN HEWINS

Mr John Hewins has been appointed managing director of DAVY McKEE (SHEFFIELD) from April 1. He succeeds Mr Peter Newman, who is now chief executive of the group's companies in Poole, Workington, Sheffield and Pittsburgh, Pennsylvania. At Sheffield Mr Brian Power becomes director of sales and marketing; Mr Maurice Brooks director, process engineering; Mr Ewan Hewitt director, technical marketing; *and Dr Kenneth Law*son director, research and development. Joining the company as director, engineering and operations is Dr William Stockdale, who was director of engineering at Foster Wheeler Power Products.

Mr Leslie Brown has been appointed managing director of MEDWAY (CHATHAM) DOCK COMPANY from April 1 on the retirement of Mr James Dixon. Mr Brown will continue as deputy chief executive of Medway Ports Authority.

★

Mr Peter G. Martin has been appointed joint managing director of CROWNGAP, Ripley. He is deputy managing director of Grosvenor Developments.

★

PEAT MARWICK McLINTOCK has admitted as partners from April 1: Mr Douglas Flint (London); Mr Peter Beirne (Brighton); and Mr Ivor Grey (Cardiff). Mr Paul Reed (Camborne) becomes a partner on July 1.

★

Mr C. Conrad Blakey has been appointed chairman of CAMBRIDGE APPLIED NUTRITION TOXICOLOGY AND BIOSCI*ENCES, Huntingdon. He suc*ceeds Professor Alastair Worden, a founder, who died last year.

★

VARTA INDUSTRIAL BATTERIES has appointed Mr Bob Marley as sales director. He was Midlands regional manager.

★

*Mr Jim Coats is the new finan*cial director at RUSSELL HOBBS TOWER, Wolverhampton. He joins from London International, a branch of Royal Worcester Spode, where he was financial controller.

★

Mr W.A. Mulock Houwer has been appointed director of the THROUGH TRANSPORT MUTUAL INSURANCE ASSOCIATION. He is a director of the Nedlloyd Group.

★

THE REALLY USEFUL GROUP has appointed Mr Douglas Wilson as group financial controller. He joins from Marshall Cavendish where he held a similar post.

★

Dr David V. Atterton, immediate past chairman of Foseco Minsep, has been appointed to the board of DIMEX TERO-TECH, Solihull. He is a non-executive director of the Bank of England, Barclays Bank, Investors in Industry, IMI, British Coal, Marks & Spencer, and the Rank Organisation.

★

Mr Michael Richardson has been *appointed chairman of* DERBY TRUST in succession to Mr David Montagu, who has resigned due to other commitments. Mr M.N. Brenninkmeyer and Mr C.E. Brenninkmeyer join the board, and Mr N.L. Brenninkmeyer has resigned as a director.

Wellman group chief executive

Mr Michael Humpish has been appointed group chief executive of WELLMAN. He succeeds Mr N.H. Couch, who has resigned but is moving to the US to take over direct management of a subsidiary, Wellman Thermal Systems Corporation, Shelbyville, Indiana. Mr D.G. Leak, chief executive of the US company, is returning to the UK. Mr T.N. Butler has resigned as a director, and has relinquished day-to-day mangement of Wellman Furnaces. He will continue as a part-time adviser.

★

Mr Simon Collings has been appointed finance director at HEALTH CARE SERVICES. He was formerly with Touche Ross. Mr Lawrence Purchase, managing director of Health Care Management, and Mr Vivien Walton, managing director of Medic International, also join the board

★

NORGINE, Oxford, has appointed Mr W.M. Lawther as director of finance and administration.

★

Mr John Saunders has been appointed director of corporate planning of the BEECHAM GROUP. He was director of strategic planning with The Plessey Company.

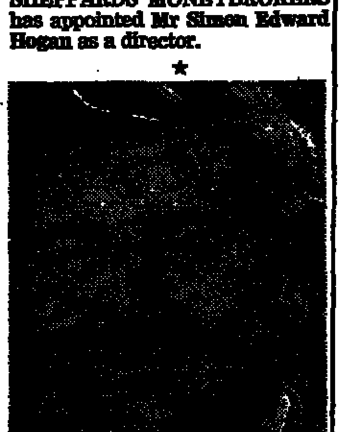
★

Mr Robert A.D. Frey, deputy managing director of Lloyds Bank Stockbrokers, has been appointed a director of LLOYDS MERCHANT BANK.

★

SHEPPARDS MONEYBROKERS has appointed Mr Simon Edward Hogan as a director.

★



Mr David Wallis has been appointed director, business planning and special studies, VAUXHALL MOTORS. He was director, financial and business planning, at Bedford Commercial Vehicles. He has been with General Motors since 1959.

Reviews by the Chairmen of the Transvaal Gold Mining Companies administered by Anglo American Corporation. AAC

"Rising costs against a low gold price narrow profit margins"

The following are extracts from the annual reviews for 1987 of:

Mr E P Gush, chairman of Vaal Reefs, Southvaal, Western Deep Levels and Elandsrand.
Mr T L Pretorius, chairman of Afrikander Lease and S.A. Lands.

Results

Production was adversely affected by an extensive strike and profit margins were narrowed as the gold working costs increased at a much higher rate than the rand gold price which appreciated by only 7 per cent.

Markets

The average gold price at the London fixings for 1987 maintained an upward trend, improving by 21 per cent to $447 from $368 per ounce in 1986. While investor interest was maintained during the year, the determining influence in the market was the continuing decline in the value of the US dollar, which fell by 18 and 22 per cent respectively against the German and Japanese currencies. Against this background, the rand strengthened from $0.46 to a high of $0.52 during the year, reducing the benefit of the improved dollar gold price. Accordingly the average gold price received by the companies was only slightly higher at R28,888 per kilogram.

Considering the pressures on the market, the performance of gold in dollar terms has not been unsatisfactory, and physical demand for gold remained strong into 1988. However, with newly-mined gold forecast to continue to increase in coming years, the role of the investor remains crucial to the absorption of surplus bullion on the market. The price for 1988 will be influenced heavily by the state of the OECD economies, and by the views taken by investors in those countries.

Industrial relations

The past year saw the industrial relations system in the gold mining industry severely tested. For the first time this decade the Council of Mining Unions – representing mostly white miners and officials – called a strike ballot but, together with the officials' associations, they eventually settled on a 15 per cent wage increase and a strike was averted. However, the National Union of Mineworkers (NUM) – representing black mineworkers – elected to take its workers out on a three-week wage-related strike after refusing an offer on increases of between 17 and 23 per cent, together with an improvement in the holiday leave allowance and a reduction in the hours of work for underground employees. Despite this refusal, the improved conditions and wage package were implemented in July 1987.

With 85 per cent of the NUM's membership employed on Anglo American Corporation-administered mines – a result of the company's conscious policy of encouraging unionisation – the impact of the strike was most evident on these mines.

Disturbing features of the strike were the many cases of misconduct involving violence and intimidation. Union members prevented workers from freely exercising a choice as to whether to work or to strike. Over the past two years a pattern of violence, intimidation and work stoppages has been evident on the mines, putting a strain on worker/management relationships and negatively influencing the industrial relations climate.

In order to defend their economic interests, and when it became increasingly clear that those workers who wished to return to work were being threatened or physically prevented from doing so, the companies were obliged to issue a series of ultimata to workers to return to work, and finally, to effect the dismissal of those who refused to do so.

Anglo American Corporation maintains its belief in the need for and role of responsible unions but is increasingly concerned about the pattern of violence, intimidation and work stoppages. The Corporation has attempted for some time to engage the NUM in talks to agree on a Code of Conduct which will safeguard individual workers' freedom of association and choice in the workplace and ensure that the violence and intimidation on the mines can be properly dealt with.

Government procrastination in implementing the amendment of the Mines and Works Act to remove the 'scheduled persons' provisions is of great concern and is preventing the essential advancement of black workers into higher skills grades. The relevant provisions contained in the latest Draft are unacceptable to the industry but it now appears that the government intends to make certain modifications to them. We hope this will lead to an early and acceptable amendment of this outdated law.

The Anglo American Corporation Group Employee Shareownership Scheme was launched in November 1987. Shareholders have approved the recommendation of the Boards that the scheme be implemented on the mine and in March 1988 employees with two years' service will be offered five Corporation *shares at no cost to themselves.*

SUMMARY OF RESULTS

	Vaal Reefs**		Southvaal		Afrikander Lease††		Western Deep Levels		Elandsrand		S.A. Lands	
GOLD	1987	1986	1987	1986	1987	1986	1987	1986	1987	1986	1987	1986
Tons milled – 000	10966	11533	4427	4498	487	657	5826	5527	1670	1865	2557	2549
Yield – grams/ton	6.63	7.07	7.78	8.75	1.36	1.66	5.89	6.73	6.54	6.25	0.65	0.70
Production – kilograms	72710	81501	34443	39369	664	1089	34298	37200	10919	11836	1669	1787
Cost – Rand/ton milled	95.01	78.80	102.81	81.98	41.34	32.51	95.90	78.98	103.58	73.98	10.52	9.02
Cost – Rand/kilogram produced	14480	11151	13111	9367	30318	19613	16306	11735	15847	11845	23443	20781
Price received – Rand/kilogram	28836	27030	28839	27030	28836	27030	28948	27040	29000	27053	29089	26924
Gold profit/(loss) – R000	1065300	1313100	547409	704480	(896)	8003	441200	574600	146342	180992	9470	11152
Capital expenditure – R000	244900	206800	164314	90358	*129	2204	299800	251800	77713	73917	243	*1876
URANIUM AND ACID Profit – R000	259000	130700	160111	73110	1005	713	37300	18100	—	—	—	—
FINANCIAL Royalties received – R000	—	—	341636	404173	625	3286	—	—	—	—	—	—
Tax – R000	492400	594700	174378	203590	302	1610	153250	207100	3280	7932	4716	7831
Dividends – cents per share	1900	2100	670	820	8	16	500	610	95	130	60	75

**Includes results for South Lease area and Afrikander Lease area †Operating results are for Vaal Reefs – South Lease area ††Operating results are for Vaal Reefs – Afrikander Lease area
*Net recoupment of capital expenditure

London office of the companies: *40 Holborn Viaduct, EC1P 1AJ*

Businesses For Sale

FT LAW REPORTS

No restraint on Illinois proceedings

EI DU PONT DE NEMOURS & CO v AGNEW AND OTHERS

Court of Appeal (Lord Justice Dillon, Lord Justice Neill and Lord Justice Stocker): March 23 1988

WHERE THE English court and a foreign court each claim to be the natural forum to resolve a dispute, the English court will not, on that ground alone, arrogate power to itself by restraining a defendant from proceeding in the foreign court; and a claim that the future foreign judgment should not operate as an estoppel in the English proceedings will fail, in that any estoppel cannot be ascertained until after judgment is given.

The Court of Appeal so held when dismissing an appeal by EI Du Pont De Nemours & Co, the insured, from Mr Justice Evans's refusal to grant injunctions and declarations to restrain insurers, I.C.Agnew and others, from proceeding against it in Illinois, and to curb the effect of a final Illinois judgment on English proceedings by Du Pont against the insurers.

LORD JUSTICE DILLON said that English proceedings were brought by Du Pont against the insurers, and converse proceedings were brought in Illinois by the insurers against Du Pont.

On July 21 1987 *[1987]2 FTLR 487* the Court of Appeal affirmed Mr Justice Steyn's dismissal of applications by the insurers to set aside or stay the English proceedings on the ground of *forum non conveniens*.

Lord Justice Bingham's judgment established that the proper law of all the insurance contracts was English law, that England was a natural and appropriate forum for trial of the dispute, and that there was no other available forum which was clearly or distinctly more appropriate.

The dominant consideration was that the leading policy was a Lloyd's policy issued in London on behalf of Lloyd's underwriters, and the other policies were on the same terms.

The factor weighing heavily in favour of the English forum was that as the policies were governed by English law and Du Pont was entitled to such indemnity as English law afforded it on the policies' proper construction, the English court was better placed to rule on whether it should be denied indemnity because of Illinois public policy.

Since that decision the insurers had accepted service of the English proceedings and submitted to the jurisdiction of the English court.

On August 20 1987 Judge O'Brien in the Illinois court, in an interlocutory decision, dismissed cross-applications by the insurers and by Du Pont, for summary judgment. He had earlier dismissed a motion by the insurers to restrain Du Pont from proceeding with the English action,and a motion by Du Pont to stay the Illinois proceedings pending the outcome of the English action.

In a footnote to his judgment he stated that he believed construction of the policies was governed by Illinois law.

By English law the proper law of a contract, which governed its construction, was fixed when the contract was made, and could not change from one system of law to another.

In the body of his judgment he held that on the construction of the policies the intention was to provide coverage for punitive damages; that the law of Illinois had the most significant relationship with the issue of punitive damages; and that even if the law of another state (English Law) applied, Illinois public policy would bar indemnification.

It was common ground that since those rulings were interlocutory they did not give rise to any estoppel against Du Pont.

The Illinois proceedings were likely to come on for trial next month, well in advance of the English proceedings.

Du Pont was very concerned that a final Illinois decision in favour of the insurers might be relied on in the English proceedings as giving rise to cause of action estoppel or issue estoppel; and that the Illinois court might accede to the insurers' claim for a permanent injunction to restrain Du Pont from continuing the English proceedings.

Du Pont applied in the Commercial Court for certain injunctions and declarations. Mr Justice Evans refused the main relief sought

Du Pont appealed. It sought either of two forms of injunction, and/or one of two forms of declaration.

The injunctions sought were: (1) an injunction to restrain the insurers from further proceeding in Illinois until the hearing of the English proceedings; or (2) an injunction to restrain the insurers from relying on the final Illinois judgment as an estoppel *per rem judicatam* in the English proceedings.

The declarations were : (3) a declaration that Du Pont would not be estopped by the Illinois judgment from contending that the proper law was English law and that Du Pont was entitled to be indemnified; or (4) a declaration in the terms of (3) with the addition "insofar as any such judgment is based on a finding that the proper law is Illinois law and/or upon an application of Illinois public policy".

Injunction (1) would put an end to the Illinois proceedings before they came on for trial. Injunction (2) and the declarations were only concerned with limiting or defining the effect of a final Illinois judgment.

In *Aerospatiale v Lee Kui Jak [1987] AC 871, 895* Lord Goff said that where there was simply a difference of view between the English court and the foreign court as to which was the natural forum, it would not be right for the English court to "arrogate to itself, by the grant of an injunction, the power to resolve that dispute".

He said to do so would be inconsistent with comity, and would disregard the fundamental requirement that an injunction would only be granted where the ends of justice so required.

He also commented that generally speaking the English court would only restrain a plaintiff from pursuing proceedings in a foreign court if such pursuit would be vexatious or oppressive.

In the present case the only reason urged for granting injunction (1) was that the English court had decided it was the *forum conveniens* ,and so it should restrain the Illinois proceedings as *non conveniens*.

But that would be to do precisely what Lord Goff said was not right.The English court would be arrogating to itself the power to resolve the dispute as to which was the natural forum.

Therefore injunction (1) could not be granted.

Injunction (2) was designed to neutralise the Illinois judgment if it should be delivered first.

But if it was not vexatious or oppressive for the insurers to continue the Illinois proceedings, it was hard to see why it should be vexatious or oppressive for them to make such use as English law permitted of the Illinois judgment.

The purpose of injunction (2) was to prevent the insurers from putting forward arguments in the English proceedings, though they might be valid and might carry the day.

It would not be right, nor did the ends of justice require, that the court should grant such an injunction.

The declarations sought to reflect what Du Pont submitted would be the effect by English law of whatever judgment the insurers might obtain in Illinois.

Application for a declaration that the insurers would not be able to rely on a final Illinois judgment as an estoppel was premature.

To decide any such issue an analysis was necessary of what the judgment decided, and on what grounds.

That was not possible until after the decision had been made and its grounds were known. Until the Illinois judgment was available and the insurers had formulated their plea of estoppel in the English proceedings, it could not really be known what estoppels were being set up.

To make either of the declarations now would be premature.

The appeal was dismissed.

LORD JUSTICE NEILL, agreeing, said that the High Court's jurisdiction to grant a final declaration in interlocutory proceedings was to be exercised infrequently and sparingly. In the present case it would be wholly inappropriate to make a declaration on the lines sought for two principal reasons:

(1)If Judge O'Brien reached a final decision to the effect that Du Pont could not be indemnified in respect of punitive damages, that would be a judgment on the merits and prima facie the insurers would be entitled to rely on it elsewhere as having the effect of creating cause of action estoppel.

It was impossible to make a declaration before the decision was made that it would not have that effect.

(2) Furthermore, even if it could be known that some aspect of English public policy could be invoked to prevent enforcement or application of Judge O'Brien's final decision in the UK, it was premature to attempt to obtain a declaration to that effect until (a) the facts on which his decision was based had been determined by him; and (b) he had formulated the legal basis for his decision and had finally articulated any principle of Illinois public policy which he regarded as relevant.

Lord Justice Stocker also agreed.

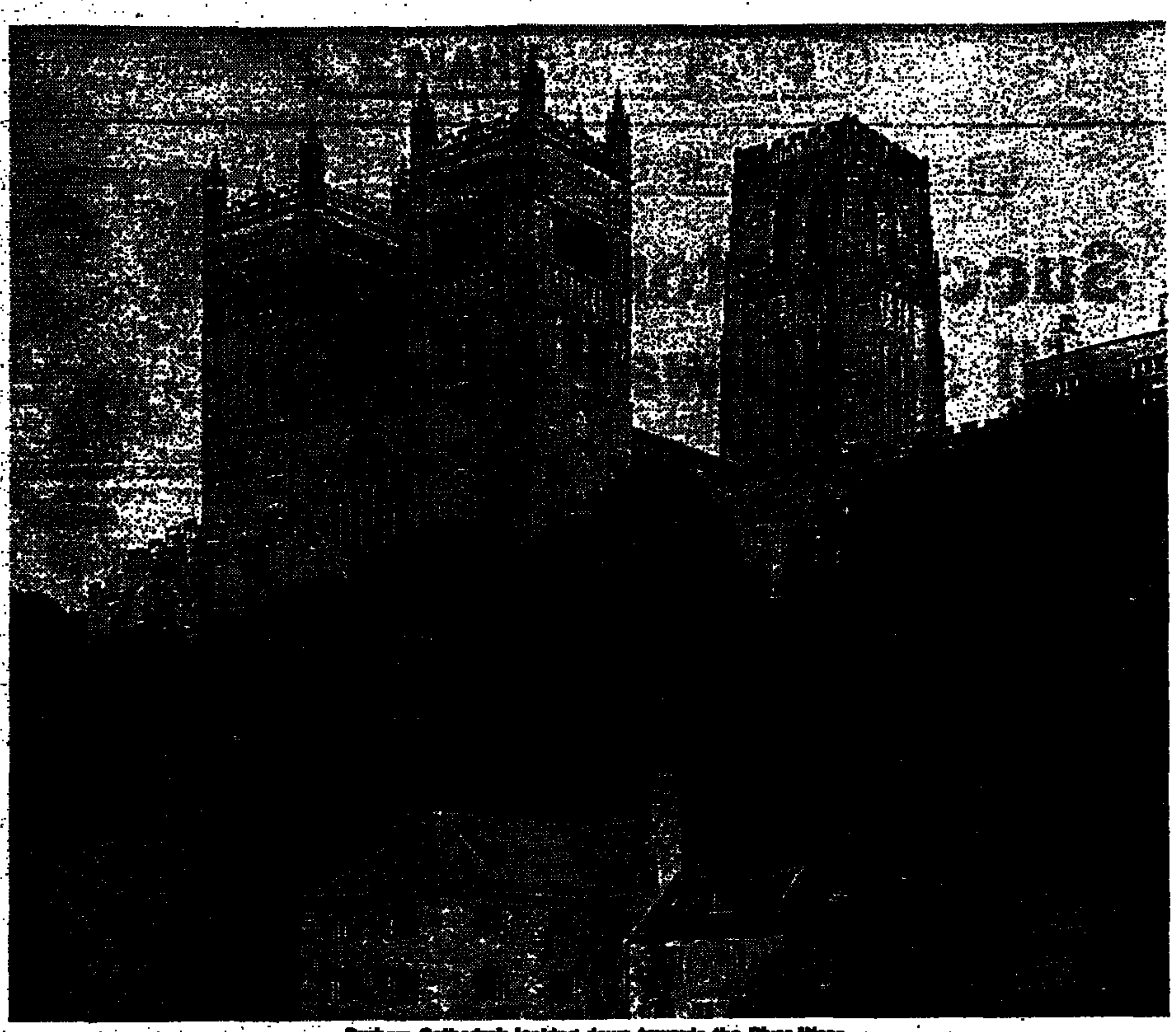
For the insurers: Andrew Longmore QC and Jeremy Cooke (Barlow Lyde & Gilbert)

For EI Du Pont: Christopher Clarke QC and Bruce Speller (McKenna & Co)

Rachel Davies
Barrister

FINANCIAL TIMES SURVEY

County Durham, like much of industrial Britain, is in the throes of change. New industries are springing up to replace the megaliths of coal, steel and the railways. Introducing this three-page survey, **Ian Hamilton Fazey** says that now interventionism is dead, private sector development is needed



Durham Cathedral: looking down towards the River Wear

County Durham

The test of market forces

FIRST, THE good news. Demand for factory space in County Durham is now so great that there is an acute shortage. The bad news is that inward investors and jobs are being turned away as a result, despite nearly 35,000 unemployed, a rate of 15 per cent.

The problem is a wide one in the North, and County Durham typifies it. Why the county deserves especial study, however, *is its role as a harbinger of deep* and real change in old industrial Britain.

It is not just a new-found response to Thatcherism or the recession of the 1980s, though both are playing their part dramatically. What is happening is the culmination of three decades of transition, and three philosophically distinct – though chronologically overlapping – phases of adjustment.

Durham is in the throes of the third phase now. To explain it requires a brief review of what has happened in those three decades.

Mr James Wilson, the county's chief planning officer, says: "When I first came here 30 years ago, four out of every five jobs were in steel, the railways or coal. There were 110 pits and 72,000 coal-miners. There are only four pits now and 6,000 miners.

"Most of the coal jobs were lost in the 1960s as the workable coal deposits narrowed down to those on the North Sea coast. By 1970 we had replaced those jobs. Then came the national manufacturing shake-out; when steel and the railways followed."

The first phase of Durham's restructuring was the steady, measured response to the gradual loss of those tens of thousands of coalmining jobs. The second was the very different formula applied after the shock of closure of the Consett steelworks – in an area of the county that had already lost 80 coalmines.

Between these two phases lies a big difference in philosophy. This is in itself a commentary on wider changes in Britain during the same period. The former revolves round the calculated response of governmental planners at national and local level, and particularly in the local authority.

Strategic planning, coupled with public spending on infrastructure, incentives and subsidies, is used to pull in new industry and jobs. New towns – in County Durham's case, Aycliffe and Peterlee – provide green fields for a fresh start.

In marketing terms it is a "push" strategy. The supplier of the land, factories and labour which industry needs pushes them in the marketplace through heavy promotion and low prices, and also spends much on getting the environment into shape for modern industry.

It is a long, slow process which initially tended to attract branch factories that did not help the local development of an interdependent, business-to-business trading economy. But, over time, a better balanced industrial structure has emerged.

Mr Wilson says that by 1986 the structure had become similar to that of the rest of Britain. The county's own efforts to help this had seen more than 1,000 incentives to industry totalling £3.8m in grants and £3.3m in loans. New jobs, mostly in manufacturing, stood at over 8,000.

County Durham's second, but parallel phase is of the rougher, action-centred kind that has developed in Britain in the last eight years. It revolves around projects, task forces, leaders and "enablers" – the fixers of deals.

There is less concern with infrastructure and land management than getting commercial activity under way that will create local demand, followed by suppliers to fill it. The assumption is that industry develops stronger foundations through opportunities for growth, rather than through subsidies and aid.

Dr John Bridge is chief executive of the Northern Development Company, the body formed last year by the region's private sector and local authorities with Government support to spearhead future industrial development in the North-East and Cumbria.

He says: "When Durham's coalfield jobs started shifting to the east there was worry about the villages left behind. In the 1950s the belief was that they would be abandoned. The policy to develop them in place came later."

Consett is being developed in place. One of its success stories, Derwent Valley Foods, is featured in the Department of Trade and Industry's national television advertising of the Government's enterprise initiative. It makes the Phileas Fogg brand of cocktail nibbles.

Another, Blue Ridge Care, is one of Britain's leading manufacturers of disposable nappies and an outstanding example of how to finance a well-managed project with venture capital alone. Government approval came when Lord Young, the Trade and Industry Secretary, opened Blue Ridge's factory extension last November.

Lord Young quotes Consett whenever challenged on Northern unemployment and prospects. He says it is evidence of the Northern economy beginning to take off. When he opened the new Blue Ridge Care building he said he hoped that regional aid and subsidies could be soon be stopped.

Within months, he had abolished the regional development grants that had helped persuade businesses such as Derwent Valley Foods and Blue Ridge Care to set up there in the first place.

However, this fits with the way industrial development is beginning to work. Mr Laurie Haveron is regional manager for BSC Industry – the funding and enabling organisation set up by British Steel to help create jobs in its closure areas.

He is based in Consett and in his early days he was known as "Laurie Have-a-loan." He says: "We wanted activity that people could see and be encouraged by. We backed anyone we thought had a chance. Once momentum got going we turned some people away.

"I believe Consett will never go back down again now. There is so much goodwill and demand. The foundations are based on rock. The companies that have set up are well thought-out and well-based. We are building to a critical mass which will enable the local economy to be largely self-sustaining."

However, the local economy is not quite over the shock of 1981, when 3,700 jobs disappeared overnight. There are 5,800 unemployed people in Derwentside, where Consett lies. Mr Haveron says that regional recovery is still fragile.

It is against this background that County Durham is entering the third phase of its metamorphosis – industrial development driven by market forces. The market's reaction to the shortage of new factory space will be the crucial test of whether the county – or indeed any other *part of the North-East – is ready* to make this leap.

The test has come unplanned and, possibly, prematurely because two things shortened the timescale.

The first was the wind-up of the new towns of Aycliffe and Peterlee, which provided the county with 300,000 sq ft of new space each year – 60 per cent of requirements. The second has been an unforeseen upsurge of demand in the wake of national economic upturn.

English Estates, the Government's *advance factory builder* and developer, has not got the funding to fill the breach and Mr Tony Pender, its chief executive, does not believe it should.

He says: "We will be getting no more money from the Government. If the private sector is going to come in, now is the time. Lord Young was a property man and he once sat on the English Estates board. He understands the problem."

Part of the problem is the old marketing "push" strategy of heavy promotion and low prices, in this case low rentals for factories and cheap labour to fill them. The low rentals depressed the market so that returns were too low to attract private sector builders and developers.

Rentals are now rising, but will the private sector come in? Given Durham County Council's 60 years of continuous Labour rule and its strongly interventionist role in industrial development since then, it is no wonder there are doubters.

There was support for interventionism from governments of both political persuasions. For example, the Durham County Council Land Act, 1958-63, allowed the council to buy derelict land and disused industrial sites and assist any operations which benefited the county.

Without it, County Durham would be attractive to very few people indeed. The Act created much of Durham's excellent infrastructure, for coalmines, as holes in the ground, usually have no infrastructure to speak of on the surface. It also enabled the county to tackle the awful legacy of mining – hundreds of spoil tips.

Indeed, strangers driving into and across County Durham now from any direction would see nothing to show that this was once one of Britain's most labour-intensive coalfields.

If they are in search of the spirit of Tommy Armstrong, County Durham's "pitman poet" and singer, who chronicled life, strikes and death in the mines between 1870 and 1916 to become part of the folklore of British socialism, they will not find it.

What they will find, however, is pragmatism and changing attitudes. The emergent County Durham Development Company – formed this year by the county *council as a flexible arm and* "enabler" for industrial development – is part of it.

So is the partnership which one district council is setting up with English Estates and Helical Bar, the property company which has bought the assets of the new towns. Others are looking for similar deals.

Dr Bridge, who returned to the North-East recently after three years in Yorkshire, says: "Restructuring is now apparent where it wasn't three years ago. There has been a big change in attitude and a greater determination among people to help themselves."

Is this the signal that private sector developers will be looking for?

The Electrolux plant making Flymo lawn-mowers in Aycliffe

Industrial development and growth

Success stories, but still some way to go

SIR RON DEARING, the former head of the Post Office, has a new part-time job for his retirement. He is chairman of the County Durham Development Company (CDDC), a body expected to play a crucial role in industrial development and growth.

The CDDC was created when it looked as though the Government was going to crack down on local authorities spending money in areas it thought outside their remit. Though aimed mainly at some inner London boroughs it seemed as if Durham's industrial development efforts might be affected.

The idea was that the CDDC could provide a flexible way of responding to the private sector and bridging any gaps with public sector and other agencies in the industrial development field. As a limited company it could also trade, which local authorities cannot.

In any event, the threat from central government receded but the CDDC is still in place because, the council believes, such a bridge is needed anyway. The company was agreed upon last October and started up in January. Mr Les Henson is chief executive.

County Durham is wedged between two conurbations – Teesside and Tyne and Wear – each of which has an urban development corporation that will be funded by the Government to the tune of £150m over five or six years.

Such sums are of the order that used to flow to the region's new towns – Washington and Aycliffe-Peterlee – which are being wound up. They also help explain why the county needs a development company to fight its case in the region and nationally.

However, its start-up budget is only £1m, with annual funding of £500,000 the best that can be hoped for later. Sir Ron and Mr Henson have the task of deciding how to use this most effectively.

There will be close links with the Northern Development Company (NDC), the regional body set up last year by the public and private sectors for overseas promotion and strategic industrial development in the region. Generally, the aim will be to get the best value for money by targeting all operations.

Mr Henson says: "We shall be promoting the county as a place for investment, though we won't of course be operating on the scale of the Aycliffe and Peterlee new town, which had a promotions budget of £400,000. The NDC will do our international promotion and we will do the local and national."

He will also be working on developing a team effort throughout the county. "We shall be the focal point for inward investment inquiries," he says. "Ours will be a gateway role into the county so that people need only come to one place for answers and introductions."

The CDDC's co-ordinating role will involve Mr Henson building close links with County Durham's six enterprise agencies, its eight district councils, the university and its research centre, the local small business clubs, and people responsible for government and other regional initiatives, such as BSC Industry and British Coal Enterprise.

He says: "We shall be working to try and develop projects that can be seen to have a beneficial effect on the community. We shall pump-prime projects where we can measure results, such as the Derwent Valley Alpine Skiing Centre.

'We don't have all our eggs in three baskets any more'

"We want to see existing services marketed better. We see ourselves having an enabling role in the network, cutting through any bureaucracy there may be."

He would prefer English Estates to intervene to help meet the area's factory shortage while bridges are built to attract the private sector developers.

However, English Estates is committed to use new money only in the worst-hit areas where demand is lagging, though it will use its capital receipts to build on prime sites if an investor and end-users are available in advance to take over on completion.

Mr Henson came from the county council's planning department, where his old boss, county planning chief Mr James Wilson, has strong interventionist views that have been very helpful to inward investors for three decades.

Mr Wilson says: "Assisting change is what we see as local government's main job. At the moment there is a window of opportunity to maximise the current upturn and I'm sorry that we have not got the resources to capitalise on it."

The CDDC's role as an "enabler" will therefore be a key one in keeping up County Durham's momentum in industrial development. Inward investment is only part of that.

As Dr John Bridge, chief executive of the NDC, puts it: "If you have a fair following wind and are good at attracting inward investment, you get between 15 and 20 per cent of new jobs from it. The rest have to come locally from start-ups and expansions of existing companies.

"Mind you, the nature of inward investment has changed lately. Incoming businesses are less of the branch factory type. They want local suppliers and services, so there is a multiplier effect, with many spin-off jobs for other, smaller businesses."

Sir Ron was asked to chair the CDDC because of his local origins and connections. One thing that strikes anyone returning to Durham after only a few years away is the scale of change for the better, with dereliction largely eliminated.

A "Come Home to County Durham Week" is planned for the autumn to open emigrants' eyes and persuade them, if they have the power, to invest.

The change they will find – and which the CDDC is committed to help continue – goes way beyond improvement to the landscape. County Durham was once dominated by coalmining, steelmaking and the manufacture of railway engines and rolling stock, industries which employed tens of thousands of people.

Mr Wilson believes that what has happened since their decline has been a triumph for interventionism, planning and aid.

He says: "Our major employers are now in the 1,000-1,500 jobs range. We don't have all our eggs in three baskets any more. There are only 71 companies with more than 200 employees."

The council's directory of companies lists 1,360. The bulk are small or medium-sized. The total network may still be fragile as the economy recovers more slowly in the North than in the South, but the greater breadth of base promises better stability than in the past.

There have also been important developments among some of the inward investors and other new companies in the county.

For example, Black and Decker went to Spennymoor, between Durham and Bishop Auckland, to start a branch factory making power tools but has now joined by another operation – packaging, storage and distribution of the company's complete range of accessories for the whole world outside the Americas.

Electrolux makes Flymo lawnmowers in Aycliffe. It now has the biggest single concentration of industrial robots outside the car industry.

The first Japanese company to invest in the North-East was NSK Bearings in 1976. It makes ball bearings at Peterlee. Last year it expanded by 250 employees to move into the 500-plus range.

Tallent Engineering also employs about 500 people, despite having the largest capital investment in robots in the North-East. It is a car industry supplier – to Ford, Rover and Jaguar – and was one of the first local companies to make parts for Nissan in Sunderland.

It has grown from £1.5m sales and 190 employees in 1981 to £14m sales this year, and also produces gas fires, casings for microwave ovens and IBM computers, and components for Black and Decker.

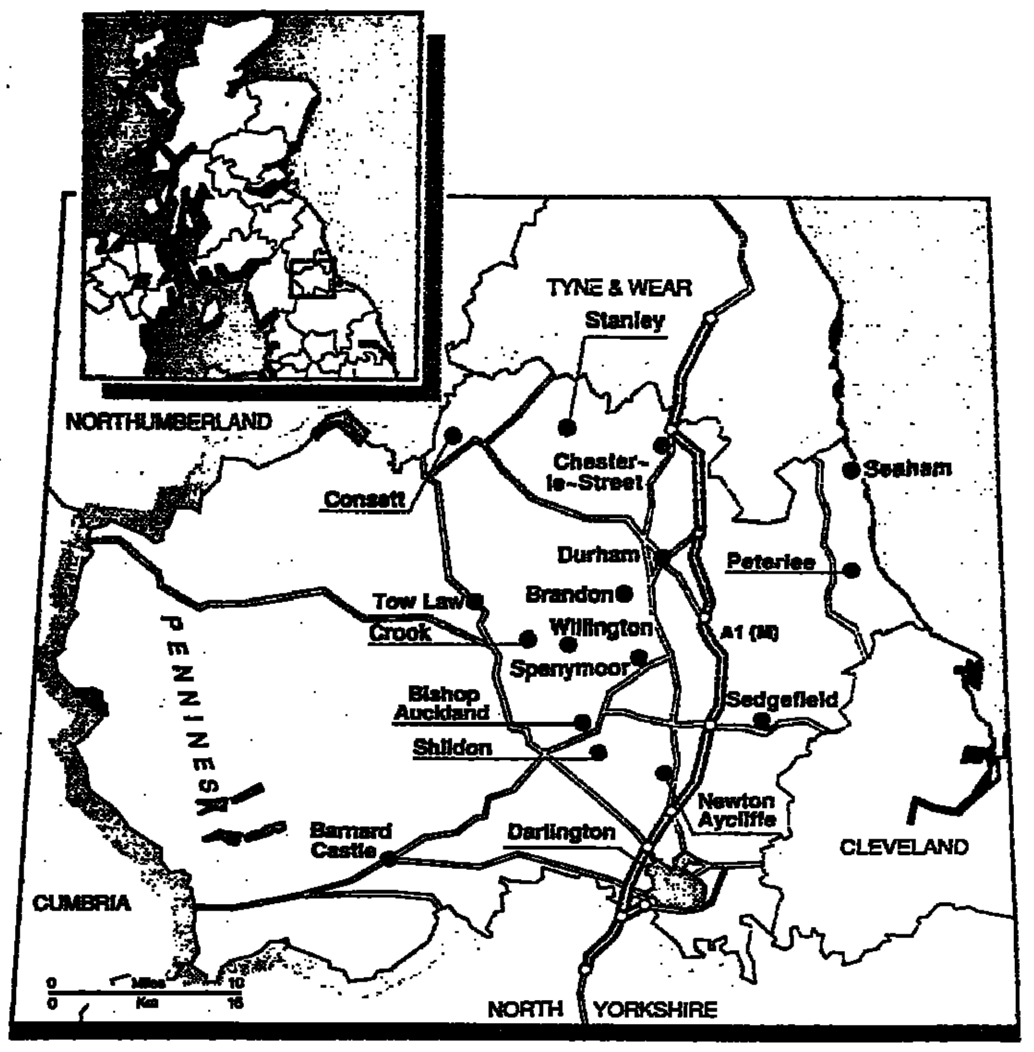
The plastic pipe industry is also well represented with Wavin Industrial Products – turning over £10m and employing 450 in Durham – and Uponor in Newton Aycliffe.

At the smaller end of the scale the story of the Kohlangaz Fire Company is, to say the least, warming. It makes coal-effect gas fires in Darlington and in 1984 employed only 12 people. Now there are six factories and 170 employees spread between Darlington and Newton Aycliffe.

Despite such success stories, none of this is yet enough. In 1974, County Durham's unemployment rate was 4 per cent. At the end of last year the rate was 18.8 per cent among men, the major contributors to an overall figure of 15.1 per cent.

The county hopes that developing its tourism industry will create about 2,000 jobs, but that would improve things by only 1 percentage point. Sir Ron and Mr Henson are going to have a very busy time.

Ian Hamilton Fazey
Northern Correspondent



With no more money for Aycliffe, the County Durham Development Company must take up the fight

Over 200 companies have moved in since the steelworks closed

Strategy that saved Consett

THE CONSETT story need contain only one dismal note, and that can be disposed of in a couple of sentences.

In 1951, there were 17,000 miners in the district; now there are none. In 1975, there were 5,500 steelworkers; now there are none.

The lamentations over these and other losses in Derwentside were loud and went on for a long time – and quite understandably too. But while the outside world shared voyeuristically in the agony that followed closure of the British Steel works in 1980, the town was already laying the foundations of a truly amazing civic, business and manufacturing revival.

(Having attended most of the industrial funerals which took place took place so regularly in this part of the North-East a decade ago, I choose the word amazing with due care.)

Until the late 1970s, Derwentside Council, like most local authorities, was almost wholly concerned with the management of traditional services. The imminent shutdown of the iron and steel works – a Leviathan that literally kept the town of Consett alive – galvanised the council into becoming an agency of far-sighted and fruitful change.

With the county authority, the Department of Trade and Industry and English Estates, it took stock. At that time, the worst scenario considered by consultants Coopers & Lybrand was a partial closure of the steelworks. When the worst really did happen, Derwentside Council had a strategy in place.

The first part of that strategy was improvement of communications. What was once a mess of potholed and bottlenecked roads to and through the surrounding towns and pit villages is now a fast, first-rate network bringing commercial and business traffic to and from Consett.

Next on the list was environmental rehabilitation. By the time they stopped making steel and mining coal, Derwentside was ravaged: there had never been any impetus to do much more than keep those industries going as they had for 150 years. Consett was an unlovely place, with no civic or commercial aspirations beyond the servicing of those polluting sources of its livelihood, and when they did go, the town was drab and derelict in every respect.

Today, it is thriving, with a new shopping centre and supermarket, newsagents that sell the FT, the New Scientist and Cosmopolitan alongside the Consett & Stanley Trader, the Northern Echo and the Newcastle Journal – and grocers who stock Brie and Beaujolais on their shelves.

These changes reflect a cleaned environment – the colliery tips are all but gone and greened over, and there is barely a trace of the vast steelmaking site – but also the commercial renaissance which sprang from two other key elements in Derwent-

Continued on Page 3

A look at some of the exciting work now being carried out in the university

Business school with a mission

NINETY-SEVEN per cent of graduates from the University of Durham have a job within three months of leaving – and of the pressures that now afflict the university, by far the greatest is the incessant and growing demand for more and more qualified young men and women who bear the Durham stamp. Industry, the City, the professions of law and accountancy, and the information-technology sector are all clamouring for them. And the cachet of a degree in the arts, social, or earth sciences from Durham is no less.

It makes nonsense of the tendency, largely propagated by television programmes, to depict the university as a place for "young fogeys" – students who have come up the A1 cheerfully clutching rejected applications to Oxbridge and bent on a life of sculling on the River Wear and savouring the comforts of a Norman collegiate campus.

This image infuriates Professor Fred Holliday, the Vice-Chancellor. "To be sure, we positively want our graduates to have better than average social skills and poise and know one end of a wine bottle from the other – but that's on top of everything else, not instead of it."

If Durham already has an enviable record of turning out people who are widely courted by manufacturing, commerce, research, media and government, its goals for the future are no less impressive. Every graduate in the 1990s, from whatever faculty or discipline in the university, will be computer-literate and will also be conversationally fluent in a major foreign language.

Even seven years ago, that would have been an unthinkably ambitious objective, but behind it lies the same robust planning that has made Durham University Business School (Dubs) one of the finest centres of its kind in Europe.

Four years ago, Dubs was part of the Social Sciences faculty. Its links with regional and national industry were limited and patchy; its horizons were unclear. In the space of a year, it was transformed. "The university's message to us was clear," says Prof John Machin, Dubs director: "if you're a business school, then go and earn some money."

An honours degree course which ranges from keyboard skills to a year in China

In 1985-86, Dubs income rose to £900,000; the following year, the figure had grown to £1.4m; the 1987-88 total should reach £2m, with only 22 per cent of costs provided by the University Grants Committee.

Dubs has developed a simple "mission statement" – a three-point plan which aims to help individual students to improve performance, enhance potential and expand horizons. All the research and teaching are geared to those criteria. In addition, Dubs is run as a business but in symbiosis with all the other university departments. It is also a natural and significant arm of the region's industrial and commercial life.

Prof Machin is on the North Eastern Electricity Board and an associate director of the Durham Development Company. Dubs staff are directly involved with dozens of enterprises across the county and the North-East. Equally, Dubs's own board now includes representatives of trade unions and major companies in the North-East.

Evidence of the inter-disciplinary strength is abundant but perhaps most excitingly highlighted by the introduction, last year, of an honours degree course in Chinese and management studies, which will include the acquisition of keyboard skills and a year's living and learning in China.

Durham was already a prominent centre for Chinese studies; together with Newcastle University's strength in Japanese, it now has a vital Oriental focus, not just for the existing and forthcoming Asian companies in the North-East such as Nissan, NSK, Komatsu, Ikeda and Sanyo – but also the arrival next year of students and staff from Teikyo University, which is transplanting a large part of its campus to Durham's.

Dubs is establishing a powerful name for itself among major private and nationalised industries for its project-led courses. There is particular pride about the one run regularly for British Gas and in the performance-profiling exercises run for groups from several industries or companies in concert. Typically, one of these involved participants from the Washington SavaCentre, British Telecom, Earl's House children's hospital, the Prison Service and Vaux Brewery (the others apparently found they had a lot to learn about real management from the hospital team).

But activity like this does not obscure the valuable work done with small business in the region. Prof Allan Gibb, who runs the Small Business Centre, has no doubt that Durham is in the middle of a resurgent self-help business culture in the North and is actively involved both in the development and guidance of firms begun by former employees of big but shrinking companies, and with servicing the substantial growth of young self-employed managers in County Durham.

Prof Allan Gibb: valuable work with small businesses

Around 70 per cent of those who have passed through the centre over the past 10 years are still in business. The region, having recognised the futility of depending on a branch-office economy, says Prof Gibb, "is now a natural home for independent, indigenous, resilient firms which can make decisions for themselves – and stay in business." His courses reach out not only to these, but to the youth market at school and graduate level.

As well as giving training in starting and running businesses, and organising programmes for the Graduate Into Enterprise scheme, Prof Gibb and his colleagues run a highly regarded Export Unit for local firms, a large number of which had never considered the development of markets abroad but which, with Dubs assistance, are increasingly selling overseas.

Mr Bill Ferguson, who runs the unit, ticked off seven recent examples – ranging from medical diagnostic equipment to swimming pool apparatus, surface treatment plant and children's wear. Among companies like these, he says, "foreign trade was ad hoc or non-existent two or three years ago: now there's an annual growth of between 12 and 30 per cent in exports."

The philosophy here, it seems – as with all that happens in Dubs, is summed up by Prof Gibb. "Our programmes are doing programmes – for people who worry about their prospects, about what's happening back at the firm, or about whether they get value for money on the course."

The evidence is that Durham University Business School has little to worry about on that score.

Ian Breach

Applied science, not academic islands

DURHAM UNIVERSITY'S School of Engineering and Applied Science has just completed a collaborative project to develop electrical power systems control software.

Used by the CEGB and prepared with ICL, the project is now licensed in the Middle East and Australia – and the school has been asked to set up a power systems research centre which would have global influence.

Japanese medical engineers came to the school to see the work done by Dr Tony Unsworth on hip joint replacements. Through his knowledge and experience in tribology, he has produced a cartilage substitute which will be the first major advance in two decades of this branch of bio-engineering.

Similar international interest has been shown in the hybrid vehicle under development – a car designed to run on batteries or internal combustion engine, with onboard computing to optimise between the two.

Successes like these go hand-in-hand with the joint R&D venture set up four years ago with the universities of Durham and Newcastle and the polytechnics of Newcastle, Sunderland, and Teesside.

Known as Hesin (Higher Education Serving Industry in the North), it not only matches the supply and demand of specialist skills and services in the region, but networks its expertise through offices in London, Hong Kong, Chicago and Tokyo.

If advantages to industry are apparent in this, then so they are to Durham. Of a total research grant to the Engineering School of £5m last year, more than half came from 35 of Britain's leading technology-based companies and institutions.

In the past, British industry tended to get its university-based research and development on the cheap; for their part, teaching staff were restricted in their contact with manufacturing personnel. Now there seems to be an approaching compromise between the British and American way of doing these things.

David Bellamy: ecology consultancy in Durham

There is also a strong and developing link between the applied science facilities and the rest of the university in some areas. For instance, artificial intelligence calls on a research group comprising computer scientists, psychologists, engineers and philosophers. One multi-disciplinary project involves the use of advanced system design for teaching English criminal law.

Close by the engineering school is the logical extension of much that Durham University has been striving for through all its faculties: the Mountjoy Research Centre. Here, in new buildings on a parkland site, many branches of business, industry and information technology are coming together.

CONTACTS

University of Durham – Keith Seacroft, Information Officer, (091) 374 2946/7.
Derwentside Council – John Pearson, Industrial Development Officer, (0207) 505211.
Derwentside Industrial Development Agency Ltd – John Carney, (0207) 509124.

Unlike the much-vaunted science parks, first introduced at Cambridge and Heriot-Watt, the Mountjoy Centre houses enterprises as varied as the University Industrial Research and Development Laboratories, property developers who specialise in conservation schemes, David Bellamy's ecology consultancy, forensic scientists, secretarial services and conference facilities – all knowledge-based enterprises in close formal or informal contact with each other.

Generations Ltd, the focus for World Heritage, will operate from here and be linked into the geography, archaeology, library and other university departments. Opened two years ago and run in partnership with English Estates, the first wing of offices and laboratories – some 40,000 sq ft – is 75 per cent let, and there are a further 28 acres of land that could be developed for similar use.

The Mountjoy has direct links with all the colleges (only five minutes' walk away) and is already an offshore site for outside and larger companies who need a "shop window" research facility away from their own premises but near to the university's business and science centres.

Electrolux has taken space for R&D on advanced domestic appliances; there is contract work going on for Glaxo, ICI, Unilever, and water authorities.

As far as the regeneration of industry and the emergence of new technology-based companies in the North is concerned, the Mountjoy and its adjoining science and engineering departments, Hesin, and Dubs between them seem to be fulfilling the outlook of Prof Fred Holliday, Durham's Vice-Chancellor: "The only way we can serve County Durham and its region is by being a first-class national and international university which is not a collection of academic islands but a centre of integrated excellence."

Ian Breach

Strategy that saved Consett

Continued from Page 2

side's recovery plan – the provision of space and premises (notably on land developed with English Estates North) for new business; and support in the form of grants and soft loans.

Mr John Pearson, Derwentside's industrial development officer, came straight from university to the council as the first transforming steps were being taken. "The council was positive from Day One. They knew they had to spend money, and even though they were not a rich authority – the income from rates is relatively low – they appointed people quickly and set up a new section to rebuild the local economy."

The prime goal was to generate replacement jobs, but not any kind of job. The council was looking to a long-term recovery in which the district would not be as vulnerable to national economic and political oscillations as in the past. Absorption of above-average youth unemployment remains a problem beyond the resources of the authority on its own, but in the other two areas – replacement and indigenous new business – the efforts have been a dramatic success.

Everyone talks, almost ad nauseam, of Derwent Valley Foods, makers of savoury snacks and crisps under the Phileas Fogg label and for own-brand clients including Sainsbury and Marks & Spencer. The firm has gone from nothing to 80 employees in less than eight years. And Blue Ridge Care, manufacturer of disposable nappies, has built its considerable sales and marketing success within the Derwentside strategy.

Yet these are but individual – if shining – jewels in a large and lustrous crown. More than 200 companies have established themselves in and around Consett, creating 3,500 jobs and generating a completely fresh sub-regional economy.

In the financial year 1987-88, direct council investment in assisted firms will have been around £200,000. The rate income from these same companies will show a £30,000 profit on that figure – a situation that continues to improve each year. And the net yield from overall investment in Derwentside's recovery is even more impressive.

Mr John Carney, director of Derwentside Industrial Development Agency (Dida), notes that the top 30 local firms – most of which did not exist in 1980 – have a combined annual turnover of £110m, which is 50 per cent greater than the steelworks at its peak. The next 20 'small' companies, all of which are new, have a total turnover of £15m.

Though Dida has been a prime instrument in bringing this about, particularly through venture-capital assistance, Mr Carney acknowledges the outstanding value for money that the council has secured through its own funding. A total of £1.8m was spent between 1978 and 1987 – roughly £800 per new job – about a third of a New Town's advertising budget in total and far less than the capital-per-workplace figures common to major industrial assistance like that for Ford or Nissan.

Not once in the 10 years Dida has been operating has the agency failed to meet a request for a total funding package. And for their part, the new businesses are planning ahead every bit as rigorously as Dida and the council and subjecting themselves to the same critical scrutiny.

"There has been a marked change in the business culture, says Mr Carney, and though there has been a small overall failure rate, not one firm which has been started with venture capital has gone under. He recalls that Lord Young visited Derwentside last autumn and held up the district as an example of industrial rebirth.

"We need more of it," says Mr Carney, "with training and skill investment directed towards our youth. That is likely to happen as more firms apply to come to the area."

An integrated programme, along the lines now laid by Dida, the council and associated institutions should bring these ambitions to fruition and meet the long-term aim of a self-sustaining economy in this part of the North.

"We're on our way to the point where de-industrialisation will be a notion of the past and when 1950s levels of employment will not be unthinkable. The mood is one of confidence and excitement – and a certainty that we've been doing the right thing," says Mr Carney.

Ian Breach

Galleries/William Packer

Faces from home and abroad

Seven years ago, at 21 and still a student, Emma Sergeant won the John Player Portrait Award at the National Portrait Gallery with a large conversation piece of her family and friends, "Drinks at Milapote," which brave and ambitious undertaking set her up in her career. Agnew's gave her her first solo outing in 1984, with an exhibition centred upon and extending that prize subject, and has continued to represent her. Now, with her third show in the gallery (43 Old Bond Street W1, until April 22) and, no longer the rising star exactly and yet no nine days' wonder, is the moment to consider how far she has come.

Though she came first to general notice as winner of a portrait prize, and has continued to paint particular portraits and accept formal commissions, Miss Sergeant is not really a portrait painter as such, but rather a painter of the figure and groups of figures, to which the portrait is important but incidental. This show is of drawings and paintings, in water colour, gouache and oil, made in the last four years, that fall under the catch-all heading of "Faces from Four Continents." In that time she has been to Australia, to Kenya, where she worked among the Turkana and Sambuth tribesmen, and twice to the North West Frontier of Pakistan to work among the refugees from occupied Afghanistan. Her travels account for the work on paper, her life at home for the larger compositions and portraits on canvas and a few small studies.

And it is across this line of home or abroad that the work divides fairly neatly, quite as much in manner as in subject and material. Miss Sergeant's great technical strength, or rather her great natural talent, lies in her drawing, which here is given its most effective and characteristic expression in the smaller material, worked directly and unself-consciously in notebook and sketch pad in the straight-forward process of observation and record. The line is swift and confident, the statement fresh and immediate, and if the facility is evident, the information is at least retrievable and useful. Here she is on familiar and established ground.

The larger portrait studies in water-colour, especially those of the heads of individual Kenyan tribesmen, are both more technically ambitious and adventurous and yet more equivocal, the victims to a degree of their very ambition. As statements they are as fresh and direct as ever, but they set such a premium on a simplified and schematic technique that technique alone becomes the too-conspicuous object of the exercise, quite distinct from considerations of image and expression. As with the acrobat on the high wire, we admire the attempt and applaud her having got so far, but Oh, how we wish she would get to the farther side.

The oil paintings, larger and more conspicuously ambitious still, are even more doubtful. For with them a curious kind of inhibition seems to set in, by which the technical freedom and generosity of the drawings and water-colours, far from being carried over into the most adaptable medium available to the artist, is now straitened and constrained. In them the drawing itself becomes decidedly tighter, with the subject figures squeezed and distorted within their particular spaces, small of head and large of feet (where the feet can be fitted in). Overlaid with drier and thicker paint, the actual surface of the canvas, that could be so light and active, is merely dense. Such is her apparent difficulty in carrying and activating the surface of some of the larger compositions, that Miss Sergeant even resorts to the trick of working over unconcealed and contradictory underpainting - one of the oldest tricks of all.

The trouble rests perhaps in the scale, for a few much smaller oil studies in the show suggest that oil paint of itself sets her no major problem. And a pair of tall thin single portrait figures, worked in charcoal on the canvas, show that even on a large scale, she can keep all that virtuous simplicity, if only she does not overwork it. Perhaps it is simply the idea of the set-piece, the contrived and formal undertaking, that tempts her not so much to over-reach herself as to reach too far in the wrong direction?

Hard words perhaps, but intended not harshly but as a kind of compliment to an artist who deserves to be taken seriously, for all her talent. She is sure to mature and far from telling her what actually to do or which particular direction to take, we simply look forward to what comes next.

Emma Sergeant with her painting "Double Portrait"

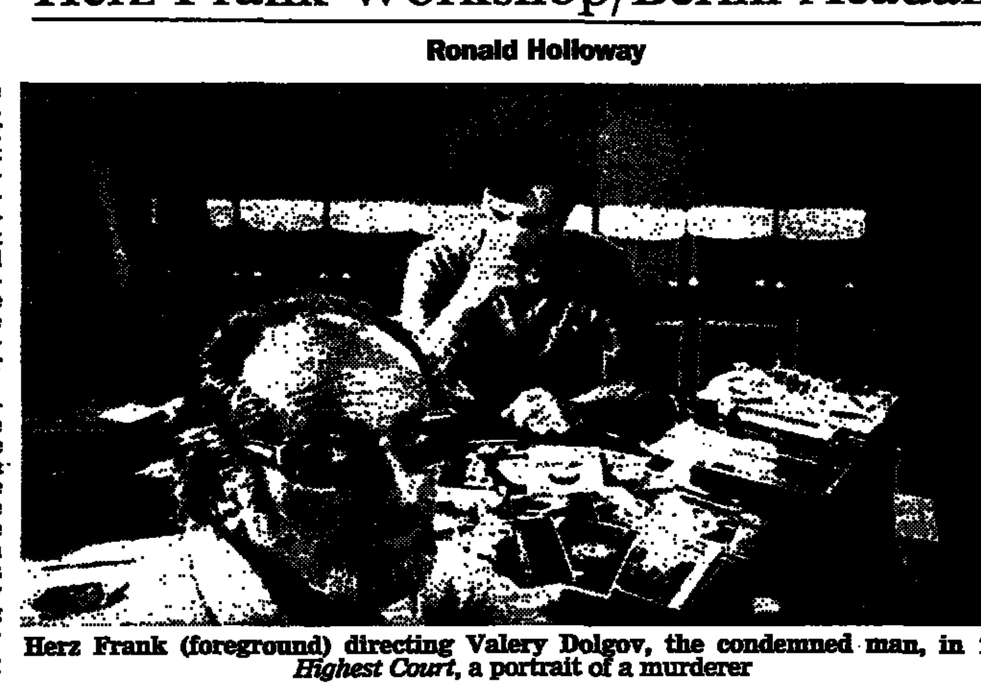
Herz Frank Workshop/Berlin Acadamy

Ronald Holloway

Werkschau Herz Frank was the second such film workshop sponsored by the Berlin Academy of Fine Arts to honour a Soviet director. A year ago, the charismatic Elem Klimov, First Secretary of the Union of Soviet Filmmakers, together with Soviet writers Valentin Rasputin and Ales Adamovich and poet-balladeer Bulat Okudzhava, packed the auditorium for each of the open-ended discussions on cultural changes under Premier Mikhail Gorbachev.

Klimov has since been honoured with a Fellowship of the British Film Institute and rare voting-membership privileges in the Academy of Motion Picture Arts and Sciences, but it was the Berlin Academy that started the ball rolling. This year, Latvian documentarist Herz Frank was accompanied to Berlin by Abrams Klezkins, a script-writing colleague and film critic and historian from Riga. The Academy, during the well-attended four-day workshop, confirmed his status as a leading Soviet film-maker, an uncompromising artist who, over two decades, was able to walk the fine line between Socialist Realism and personal commitment to a trade relying on truth as its ultimate selling-point.

Of the fifteen Herz Frank documentaries (produced between 1967 and 1987) presented in the workshop, his last impressed the most *in this heady new era of glasnost*. *The Highest Court* (1987), is a frank and intimate portrait of a murderer condemned to death who makes a public confession on camera before his eventual execution, despite letters written by several who saw the documentary to commute the sentence from capital punishment to life imprisonment.



Herz Frank (foreground) directing Valery Dolgov, the condemned man, in *The Highest Court*, a portrait of a murderer

That a Soviet film-maker could receive permission from the authorities to probe a man's conscience in close-up as resolutely and patiently as Frank does attests not only to the boldness of Gorbachev's policy of openness, but also to the respect that this film-maker commands among his colleagues as an uncompromising moralist, and one whose voice should be heard no matter how much discomfort the opportunity brings. For this time his probing goes well beyond the factual case study of a crime: he pinpoints its causes in a free-wheeling, corrupting black-market arena. Thus, a blind or permissive society ultimately has to share the blame for Valery Dolgov's double-murder.

Frank's probing goes beyond the factual case study of a crime: he pinpoints its causes in a free-wheeling, corrupting black market arena

Such a moral position is not to be found in Frank's preceding study of criminal cases, from which he selected the Dolgov incident for further research: *To the Edge of Danger* (1984). There, in the period just before *glasnost*, he contrasts, with questionable success, how far criminal deeds are initiated by the victim's own provocative acts of aggression. The answer may lie in Herz Frank's own confessed fascination with crime, indeed, this remarkable string of "moral documentaries" – including (in addition to the aforementioned) *Forbidden Zone* (1975), on a penal-colony borstal for delinquent boys, and *Strange Suffering* (1983), about a more humane correction home for delinquent girls - can be viewed as a comprehensive sociological treatise made possible by step-by-step victories over a suspicious bureaucracy.

Less interesting are Frank's pair of observation documentaries on what makes a successful collective-farm chairman tick: *Trace of a Soul* (1972) and *The Last Birthday of Edgar Kaulins* (1985), save for the director's between-the-lines, poignant statement that Kaulins won the respect and admiration of his fellow man by putting his own name (a respected partisan-fighter) on a Stalinist deportation list to Siberia during the troubled postwar days in Latvia.

The workshop also featured a generous assortment of documentaries in the usual Soviet mould of popular-science enquiry and ethnographic tribute. One of these, quite original in stylistic approach, consists of a single take focusing on children's faces as they intently follow the drama of a puppet-show: *Ten Minutes Older* (1978). It was photographed by the able Juris Podnieks, who own questioning *Is It Easy to Be Young?* (1986) has recently made the rounds of international festivals.

Another, *Seven Simeons* (1985), portrays an Irkursk widow raising 10 children on her own, the seven brothers forming a successful band to play American Dixieland. Shortly after the Academy workshop closed, the wire services carried the tragic story of members of the *Seven Simeons* band involved in an aborted hijacking of an Aeroflot flight from Irkursk to Leningrad in an attempt to divert it to London: five members of the group killed, other passengers dead or maimed for life.

However, Komsomolskaya Pravda, the official Soviet youth organ, *exercising its glasnost* press perogative, openly criticised the reckless storming of the plane by soldiers during an interim landing. Accordingly, the heavy lost of life and property has raised for public consideration the moral question on crime and its impact on an open society. One fitting for the likes of a documentarist like Herz Frank.

From the House of the Dead/Opéra Comique, Paris

Ronald Crichton

The evening began with a demonstration in front of the curtain by young people holding placards inscribed "NO to the closing of the Opéra-Comique." During the warm applause that greeted them the orchestra started playing, softly, what turned out to be the big tune from the finale of the Choral Symphony. The more danger of closure is rammed home to Parisian opera-goers the better. Otherwise, in a city where plans and rumours of plans change as swiftly as fashions, it may still be premature to start the loud lament the occasion would deserve. Rumblings of closure have been heard more than once since the war, yet some, though not enough, of the old repertory has been given and the building is still open.

What the official reasons are I do not pretend to know. Obviously the imminence of the new house at the Bastille, the rehabilitation of the Théâtre des Champs-Elysées and the independent existence of the Théâtre Musical de Paris at the Châtelet alter the situation even in a city as opera-hungry as Paris. The uneconomically modest size of the Opéra-Comique (precisely what makes it such a good auditorium) and the impossibility of extending back-stage quarters over the Boulevard des Italiens may well be other factors. But in a city where Boulez was given a warren of deep underground studios at the IRCAM, is there really no solution to the last problem?

The opera on this occasion was Janácek's *From the House of the Dead*, a co-production with Nancy conducted by Mackerras, sung in Czech by a mainly Czech cast (three members in the roles they sang in the Mackerras/Decca recording). My perceptions were coloured by the management having with mistaken kindness provided seats bang in the middle of the front row, just behind the conductor. There are some operas one wouldn't mind seeing from this position – *Fra Diavolo*, say. But Janácek's last work, with the deliberately raw, excoriating orchestration given with searing force by the orchestra under Mackerras's uniquely knowledgable guidance, with the singers apparently at continual full blast, was deafening.

There were visual complications too. From this advanced position Jennifer Bartlett's quadrilateral construction, a metal cage without bars like a bare bandstand, the properties and the convict's clothes, uniformly dark for winter, spotlessly white for summer, all looked improbably new and clean. No feeling of eternal, crumbling squalor in the middle of the endless steppe. It is not easy in this opera to recognise quickly who is who. Here the difficulty was compounded by producer Volker Schoendorff's tendency to mass his singers inside the cage (I hasten to say that in general the direction was serious, fluent and nonsense-free).

From even a few rows back I am sure the effect would have been different, that the light and shade and contrasts of the score would have come into perspective, that the stage pictures would have looked more atmospherically dilapidated. And the surtitles? In this of all operas, with the important narrations about events and characters we do not see (exception made for Filka Morozov disguised as Luka Kuzmich) help is essential for non Czech-speakers. But from the front, to see the titles, one had to crane upwards at an angle of nearly ninety degrees – the proscenium arch at the Opéra-Comique is high. Quick readjustment to the stage lighting was painful.

The various narrators were Frantisek Livora (the so-called Filka Morozov), Peter Straka (a strong, energetic performance as Skuratov), Josef Hajna as the long-eared Shapkin, Václav Zítec as Shishkov, who tells the moving tale of Akulka. Dalibor Jedlicka was Goryanchikov, the well-born political offender whose imprisonment and release span the action of the opera. Robert Dumé as the tall prisoner was one of the French singers who fitted easily into the idiomatic whole.

The young Tartar Alyeya, usually sung by a soprano, was given to a tenor. One missed the contrast of timbre. Miroslav Kopp, an acceptable singer, had the kind of well-upholstered figure composers presumably try to avoid for travesti roles. The wounded eagle was played by Philippe Petit, a tightrope-walker and mime, who spent his time not crouching in a corner but perched on top of the metal construction, glowering ferociously. The house was full for the third performance, the reception on the respectful side of enthusiasm.

Bernard D'Ascoli/Wigmore Hall

Richard Fairman

Since being a prizewinner in the 1981 Leeds Piano Competition, Bernard D'Ascoli has successfully carved a niche for himself on the pianists' circuit. He is a regular visitor to this country and the warm reception that he received at his Wigmore Hall recital on Saturday from a good-sized audience showed how many friends his playing has won here.

In retrospect, it no longer seems surprising that he failed to carry off the first prize at Leeds, for he has never become the razor-sharp, brilliant virtuoso that the judges at that competition invariably look for in their winners. Whatever he plays, the notes are always there, but not the kind of rigorous technical control that might make sure they are placed with the exactness of weight and rhythmic precision that are at the fingertips of a master of the keyboard.

Nevertheless, everything he does is musicianly and he is well worth hearing in repertoire that he finds sympathetic. Recently, that has often been the music of his native France, but this recital favoured the standard early 19th century composers of the Germanic tradition, starting with the Op 109 E major Sonata of Beethoven (a touch too lax and ill-defined in style even for this most genial of sonatas) and then moving on to favourite Schubert and Schumann.

The most completely satisfying performance of the evening came with the *Schubert Impromptus* D899. These are often used as basic teaching material and it is easy to forget how much genuine inspiration is hidden in them: sensitive, but never indulgent, D'Ascoli feels the harmonic implications below the surface and judges the depth of expression the pieces can bear to perfection. The E flat, with discriminating use of the pedal, was beautifully fluent; the lovely G flat sang with proper Schubertian lyricism.

In Schumann's *Carnaval* the playing, while no less thoughtful (each of the repeats seemed to uncover another of the composer's lurking counter-melodies) fell short to a degree. An array of masks is paraded before the listener in this piece and the pianist, chameleon-like, must assume each in turn. D'Ascoli is not sharp enough in response to catch all these fleeting characters, but at least the face we see is that of a straightforward and honest musician.

Garden Concert/Covent Garden

David Murray

In a pair of "Garden Concerts" last Friday and Saturday the Royal Opera house orchestra again appeared in its own right, this time with Jeffrey Tate conducting. Some of them appeared more than others, for in the short programme only Elgar's *Falstaff* called for full orchestra. It also required fuller sound than the dry acoustic could afford, which went some way toward explaining why the performance seemed so juiceless.

Other reasons were the cool under-characterisation, even in principal solos (*Falstaff* depends upon its story no less than any tone-poem of Strauss, and without tangy episodes it pales) and a lack of vital thrust which some delicately balanced passages highlighted rather than helped.

It was rash in any case to let *Falstaff* stand by itself - after an interval of about the same length - as the main work. If the idea was to present it as a self-sufficient "*symphony in one movement*," a far more robustly seasoned reading was needed. The gentle chamber-orchestra pieces before the interval were more persuasive.

One was Franz Schreker's Chamber Symphony, composed for just twenty-three players toward the end of the Great War. Its fragile lines are more tautly imagined than they first seem, and ingeniously worked; the flavour of civilised deliquescence recalls Zemlinsky. Here Tate kept the music aloft and the textures silvery, though he opted sensibly for the extra strings Schreker suggested for larger halls. They do entail a certain loss: a South Bank performance with the original bare-bones complement, a few years back, made more of Schreker's individual tints, like the contrasting tinkles of harp, celesta and piano against a sigh ing harmonium.

The London Philharmonic's Gordon Hunt was guest soloist for Strauss's late Oboe Concerto, which he regularly plays to admiration. This time the opening Allegro moderato seemed over-hustled - for all his long-breathed expertise, there was no room to find the serenely puckish note that should mark it; but the Andante melted appealingly, and the elegant caracoles of the finale were impeccable.

Gala in aid of King's Head Theatre

Victoria Wood will head a Royal Gala performance at Sadler's Wells Theatre to raise money for the King's Head Theatre on Sunday April 10. Among others taking part in this evening of "comedy, music and theatre" are Tom Conti, John Hurt, Denis Lawson, Maureen Lipman, Bertice Reading and Anthony Sher.

Arts Guide

March 25-31

Opera and Ballet

NEW YORK

Metropolitan Opera (Lincoln Center Opera House). Lulu joins the repertory this week, conducted by James Levine with Catherine Malfitano, Tatiana Troyanos and Lenus Carlson. Another newcomer is Werther conducted by Jean Fournet with Frederica von Stade and Alfredo Kraus. James Levine conducts Cosi Fan Tutte with Kiri Te Kanawa, Susan Quittmeyer, Hei-Kyung Hong and David Rendall in Graziella Sciutti's staging. James Conlon conducts August Everding's production of Khovanschchina with Elizabeth Knighton, Stefania Toczyska and Timothy Noble. (36 26 000).

WASHINGTON

Nixon in China (Kennedy Center Opera House). Peter Sellars' contemporary opera spends a week where the idea on which it is based was germinated. Ends April 3. (254 3770)

PARIS

Z Mrtvého Domu (Salle Favart, Opera Comique). Janaček depicts Dostoyevsky's obsessive memories from the prisoners' pathetic universe in Siberia. It is conducted by Sir Charles Mackerras/John Burdekin in a production by the film-maker Volker Schloendorff. (47 42 53 712)

Anjouta (TMP-Chatelet). After a Tchekov Novella, in Vladimir Vassiliev choreography danced by Vladimir Vassiliev, Ekaterina Maximova and dancers from Moscow's Bolshoi. (42 33 44 44).

Georgia National Ballet (Palais des Congrès). A powerful folklore expression of virile seduction, art of war, of pastoral and courtly themes. (46 40 22 22).

LONDON

Royal Opera, Covent Garden. New principals take over in the revival of Un Ballo in Maschera conducted by Richard Armstrong - Anna Tomowa-Sintow (Amelia), Piero Cappuccilli (Renato), and Linda Kitchen (Oscar). Further performances of Tosca, with Grace Bumbry. (240 1066)

English National Opera, Coliseum. Nicholas Hytner's new production of The Magic Flute is conducted by Ivan Fischer, and has Thomas Randle, Helen Field, John Rawnsley, and Gwynne Howell in the principal roles. Also in repertory: Ian Judge's production of Cavalleria Rusticana and Pagliacci, lively, inventive, over-detailed, returns with a cast including Jane Eaglen and Jacek Strauch; and the first ENO production of Britten's Billy Budd, by and large an outstanding success for the whole company, with a superb cast led by Thomas Allen in the title role, Philip Langridge (Vere) and Richard Van Allan (Claggart), and David Atherton the excellent conductor. (836 3161)

Royal Opera House, Covent Garden. Royal Ballet shows a triple bill by Balanchine and Bintley.

NETHERLANDS

Amsterdam, Muziektheater. The Netherlands Opera production of Katya Kabanova by Janaček directed by Philippe Streuli and designed by Jean-Claude de Bemels. Kenneth Montgomery conducting the Netherlands Philharmonic, with Ellen Shade in the title role (Wed). The National Ballet with the premiere of a production of Swan Lake by Rudi van Dantzig and Toer van Schayk based on the Petipa/Ivanov choreography (Thur). (255 455).

Nijmegen, Schouwburg. Introdans with a new ballet by Ed Wubbe, Longing, also Quartet II and Another Journey (Tue). (22 11 00).

WEST GERMANY

Berlin, Deutsche Oper. Lucia di Lammermoor is steered to triumph by Lucia Aliberti, brilliant in the title role. Zar und Zimmermann is a well done repertoire performance. Don Giovanni features Pilar Lorengar, Carole Malone and Ferruccio Furlanetto. Das Rheingold in Gotz Friedrich's production brings Ute Walther, Lucy Peacock, Martti Salminen and Donald McIntyre together. A ballet premiere of Traum der Sehnsucht, choreographed by Tom Schilling closes the week.

Hamburg, Staatsoper. The Magic Flute has fine interpretations by Hellen Kwon, Yoko Kawahara and Harald Stamm. Turandot, sung in Italian, has a strong cast with Galina Savova and Giorgio Lamberti. Tristan und Isolde in the controversial Ruth Berghaus production stars Gabriele Schnaut, Hanna Schwarz and William Johns. Le Nozze di Figaro is a joint project between Hamburg and Salzburg Mozarteum. Parsifal takes the leads Ingrid Bjoner, Franz Grundheber and Hans Sotin.

Frankfurt, Opera. Don Giovanni has a particularly strong cast with Helena Doese, Inga Nielsen, William Shimell and Stafford Dean. Der Wildschütz returns with Elsie Maurer, William Workman, Jerrald van der Schaaf and Josephine Engelskamp.

Frankfurt, Alte Oper. Giovanna D'Arco in a concert version, will have its premier this week with Margaret Price in the title role, Giorgio Merighi, Juan Pons, Valentin Jar and Jurij Zhovenko singing other parts. Conductor is Richard Bradshaw.

Cologne, Opera. Manon Lescaut, produced by Gilbert Deflo with sets by Carlo Tommasi will have its premiere this week. It has Sir John Pritchard as conductor and a cast including Barbara Daniels, Giuliano Ciannella. Also Titus and Ulrich Bleicher. Die Ballerina in Algier has Doris Brooks, Andrea Andonian and John Del Carlo.

Stuttgart, Wurttembergisches Staatstheater. Tosca stars Eva Marton, Eugenia Moldoveanu and Nayvar Whell. Further offered this week, a guest appearance of the Tokyo Ballet with choreographer Maurice Bejarts and Dornroschen, choreographed by Marcia Haydee.

ITALY

Milan, Teatro alla Scala. Michael Hampe's production of Flying Dutchman, sung in German and conducted by Riccardo Muti (alternating with Walter Weller). The cast includes James Morris (alternating with Alfred Muff), Robert Lloyd (alternating with Jaakko Ryhanen), Reiner Goldberg (Walter Donati), Monica Tagliasacchi (Rosa Laghezza) and Robert Gambill. (80 91 26).

Milan, Teatro Lirico. An evening with Alvin Ailey. Two works, Memoria with lead-dancer April Berry, and Phillia (first performance) with Luciana Savignano. (86 64 16).

Rome, Teatro dell'Opera. Simon Boccanegra directed by Renato Bruson (who also sings the title role), with sets and costumes designed by his wife, Tita Tegano, for the San Carlo in Naples two years ago. Conducted by Gustav Kuhn. (46 17 55).

Genoa, Teatro Margherita. Carla Fracci in Giselle, with choreography by Ricardo Nunez (based on that of Marius Petipa), conducted by Alberto Ventura. (58 93 29).

Trieste, Teatro Verdi. Franco Fero's production of La Bohème, conducted by Tiziano Severini, with Christina Rubin and Franco Giovine. (63 19 48).

The Spinners/Festival Hall

Anthony Thorncroft

The Spinners are splitting up after 30 years on the road, so it will be impossible to avoid them for the rest of the year as they make a final progress around the country. They played the Festival Hall for the last time on Sunday and the past was everywhere present.

It was just like the third form at school: all those songs - "The Farmers boy," "The Skye Boating song" - we broke our voices on came back to haunt the memory. And there was no slacking, not even at the front: you go to a Spinners concert to sing and you jolly well sing. None of this ILEA nonsense about voluntary participation: the Hall gets divided into four competing teams and you had better shape up.

And when you're not at school you are at university. The Spinners are the Aldermaston generation, and they are no wit embarrassed about belting out "Family of Man" and other revivalist consciousness-rousers.

There was in fact quite a lot of left wing politics in the performance, which sat strangely on their very middle class, middle aged audience, which looked as if they liked the Spinners because they feel comfortable with artists who wear chunky sweaters.

The Spinners never had great voices. The years did not turn them into instrumental virtuosi. Their mannered humour might just pass at a childrens' party for backward eight-year-olds. And they have a tendency to plug their latest programme, album or video that would impress Michael Jackson's merchandising team.

But they have undoubtedly done their bit to popularise folk music and they constantly included in their act modern songs like "Kick the cat," which satirised the class system, and, (and you'd better believe this) a Bob Marley song.

They were recently voted the group that has put back the folk music cause by years, but that was because the new generation of folk singers actually hate the past, even the word "folk." They are into "roots" music, which sounds better ethnically and does away with the bourgeois contribution of the English Folk Song and Dance Society, which actually rescued the music at the turn of the century, in the nick of time, from urbanisation.

But the public love the Spinners, and as the bizarre quartet, all shapes and sizes and colours, mug their way disgracefully into retirement they deserve the nation's thanks for keeping alive the repertoire of those tattered blue song books from an innocent age, and for still preserving that innocence into a cynical political present.

FINANCIAL TIMES
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Telegrams: Finantimo, London PS4. Telex: 8954871
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Tuesday March 29 1988

Competition and labour

MR NORMAN Fowler's decision to refer restrictive labour practices in television and film production to the Monopolies and Mergers Commission is a welcome sign of the Thatcher Government's increasing willingness to match rhetoric about competition with firm action. The Employment Secretary's invoking of a hitherto unused – yet potent – section of the 1973 Fair Trading Act follows Lord Young's promise to overhaul restrictive trade practices legislation and remove the automatic exemptions enjoyed by the professions. Taken together, the initiatives indicate that the Government is recognising more clearly the positive role the public sector can play in attacking restrictive practices throughout the economy.

Restrictive practices

The fact that Mr Fowler chose to attack restrictive practices in television broadcasting and film production should come as no surprise. With the introduction of competition and more sensible working practices in Fleet Street, television remains one of the last remaining bastions of union power. The domestic duopoly and total lack of foreign competition (often the catalyst for change in UK industry), have allowed unions to enforce unreasonable manning levels, absurdly narrow job definitions and excessive overtime rates. The television companies, faced with competitive tendering for franchises in 1992, are becoming more cost conscious and have begun to tackle the labour restrictions. The Government's move should considerably bolster the position of managers seeking constructive change.

Too much, however, should not be read into the referral to the Monopolies Commission. The action, taken under section 79 of the Fair Trading Act, will result in a report detailing the extent of anti-competitive practices. But it will not necessarily lead to the removal of restrictions. This is not an investigation of an alleged monopoly in product markets. Under the terms of the legislation, the commission will not have the power to do anything about the distortions, other than bring them to the public's attention. A comparable investigation of restrictive practices in postal services in the early 1980s, under a clause in the 1980 Competition Act, produced a fat report, but no action.

The Government's decision to use section 79, however, is highly significant. The clauses were inserted in the Act by the Heath Government largely to display a cosmetic even-handedness: when powers were being taken to attack restrictions in the supply of goods and services, it seemed logical to extend them to the supply of labour. Neither ministers nor officials expected the section to be used because of the fear of antagonising the unions. The fact that the Thatcher Government no longer needs to worry about the union reaction is a sign of changed times.

Mr Fowler's attempt to use competition law to promote more rational working practices is doubtless also a reflection of the flagging momentum of trade union reform. Laws aimed narrowly at the unions can appear divisive, even vindictive. But the same criticisms cannot be applied to antitrust measures that apply without fear or favour right across the economy. The Monopolies Commission, from Mr Fowler's standpoint, is thus a pleasingly neutral instrument with which to bludgeon labour into the 20th century.

Full benefits

Restrictive practices in the labour market are almost certainly a more important source of economic inefficiency than competitive distortions elsewhere. The persistence of very high unemployment reflects, among other things, the extent of restrictions on the price and use of labour. The application of competition law in this arena thus makes eminent sense. But if the full benefits of freer markets are to be achieved, the Government must apply its logic throughout the economy. Both the legal and medical professions, for example, enforce inefficient and absurd labour practices. Ministers should be as tough with them as they plan to be with television and film unions.

A trade pact under fire

EVER SINCE it was first negotiated in 1986, the US/Japanese pact on semiconductor trade has always been regarded with suspicion in the international trade community. The latest ruling by a disputes panel of the General Agreement on Tariffs and Trade (Gatt) has now determined that it involves illegal price-fixing in a way that poses an awkward challenge to the two countries concerned.

The issues underlying the dispute go far deeper than those immediately affecting the industry alone. The pact epitomises a US predilection for dealing with its trade problems on a bilateral basis. Its response to the ruling will indicate how far it is prepared to abandon this approach for the general good of the multilateral system.

World shortage

Both the US and Japan have been criticised by Gatt panels before. This case is different because it concerns a bilateral agreement that has had serious implications for the trade of third countries as well. Partly as a result the world price of microchips has risen sharply and a shortage has developed.

There are three possible ways in which the two countries could now react, all of which are fraught with political difficulties. They could agree to abandon the pact on the grounds that it is unworkable in the light of the ruling; they could brazen it out and combine to block endorsement of the verdict by the Gatt council when it meets on May 4; or they could seek to modify the price-fixing mechanism in the hope of bringing it into conformity with the Gatt.

Throughout the long history of the semiconductor affair, the US Trade Representative has been faced with a particularly powerful domestic industry lobby. Silicon valley has won the support of key parts of the Administration, notably the Pentagon, for its argument that its industry is a strategic one which needs to be protected. It looks, therefore, as if the US will go for the third option.

This was very much the message which came out of the meeting between Japanese and US manufacturers at Monterey, California, over the weekend. Far from being ready to abandon the pact the two sides said they were looking to reinforce it with a jointly developed plan to increase Japanese imports of semiconductors.

Already the US authorities have made play of the fact that the Gatt ruling did not say that the pact itself was illegal, only the price monitoring system. The US was not named as a "guilty party" in the panel's finding, only Japan which had been operating the monitoring system as part of the agreement.

This is a disingenuous argument which ignores the fact that any pact that aims to fix prices around the world must involve a consistent price monitoring process. Although Japan is technically the offender, it was the US which created this cartel solution in the first place.

The US says it is committed to strengthening the Gatt system through the current Uruguay round of multilateral trade liberalisation talks. It will not succeed in doing so if it is seen by its trading partners as willing to observe only the narrow letter of the Gatt law but not its spirit. Simply to rejig the agreement would suggest the US still prefers the quick diplomatic fix to solutions worked out in a multilateral forum.

However, the EC Commission, which lodged the complaint against Japan to the Gatt, should not be tempted to crow over its success. The debate on trade legislation in the US Congress has reached a sensitive stage. To insist that the Gatt finding should lead to the whole pact being abandoned could raise hackles in Congress and set back hopes that a moderate trade bill will eventually emerge.

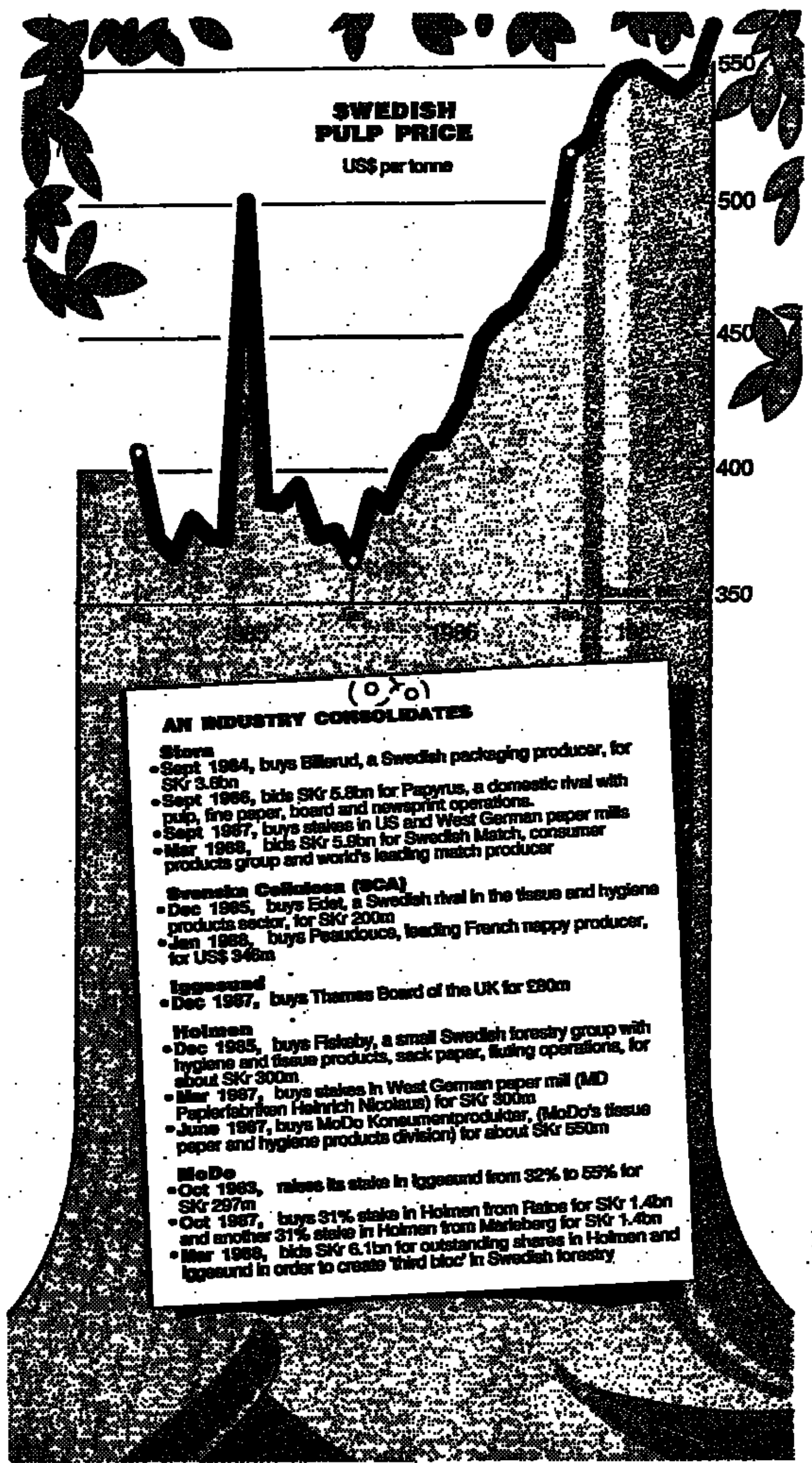
Commitment

Japan could use the ruling to press for the pact to be abandoned but it also has to consider its other running disputes with the US, like those involving citrus and beef imports and foreign tendering for its planned Kansai airport.

For all these reasons, it may be inevitable that the semiconductor pact remains in place for the time being, albeit in a modified form. But the modifications must include an end to price fixing in third markets outside the US. Only in that way could the pact remotely be construed as in keeping with the interests of the trading system as a whole.

Maggie Urry and Sara Webb report on the intense merger activity in the Swedish pulp and paper industry

A forest on the move to market



THE STILLNESS of Sweden's forests has been disturbed this spring by the sound of the country's biggest pulp and paper companies rushing towards marriage. Participants in the courtship include Stora, which has made an agreed bid for Swedish Match, and MoDo, which has bought Iggesund and Holmen.

The industry is consolidating not out of weakness – forest profits have risen sharply worldwide and in 1987 were up by around 65 per cent on average for the big Swedish groups – but out of fear of the future. The pulp and paper industry is notoriously volatile. Its fortunes have swung sharply upwards since the trough of the early 1980s. That gives the survivors of the last downturn the opportunity to ready themselves for the next, inevitable, decline.

The companies have two objectives in the mergers:

- To strengthen their hand against the competition, which is becoming steadily more international. They are particularly anxious to establish a strong foothold in the European Community (EC) in advance of the move to a single internal market in 1992.
- To lessen dependence on cyclical pulp profits by extending their businesses downstream, particularly into consumer products. This would give them guaranteed markets for their pulp, and allow them to tap into more stable areas of demand.

If North American producers sold more pulp to Europe, the Scandinavians would find it hard to compete

Swedish producers made 10m tonnes of pulp in 1987, but the industry only used 7m tonnes for its domestic papermaking activities. The rest was exported, in competition with the North American giants. This "market pulp" is sold at volatile international prices, which gives the companies a bumpy profit record.

At present, demand for pulp is strong and plants are working flat out. Prices have risen every quarter for more than two years. Although European prices are higher than those in North America, the gap is not wide enough to tempt much US or Canadian production away from buoyant home markets. But capacity is increasing. When demand falls or the capacity increase produces an oversupply, the price of pulp will once again slide and the North Americans will probably try to sell more to Europe.

In the industry's last trough, Sweden devalued the krona when the US and Canadian dollars were rising, which gave Swedish exports some protection. More recently, the dollar's sharp fall has given the North Americans an edge when it comes to exporting to Europe. Mr Bo Wergens, director general of the Swedish Pulp and Paper Association, says: "The North American enterprises can now take advantage of a decline in the rate of exchange of their own currencies that is a good deal steeper than the series of devaluations for which Sweden was so severely criticised some years ago."

Even the large price rises for pulp seen in the last couple of years have been tempered when translated into European currencies. Should a fall in demand in North America persuade producers there to sell more pulp to Europe, the Scandinavians would find it hard to compete effectively and remain profitable.

Mr Hamish Kerr, an analyst with Canadian broker Burns Fry, argues that currency is "the most important element in determining the relative cost position between Sweden and Canada." He believes that Sweden is unlikely to devalue the krona again, since the European Community "would look very unkindly on another Swedish devaluation, particularly given the growing domestic EC forest industry which is complaining already about Swedish imports of fine paper."

Another disadvantage the Swedes bear is the cost of the raw material, wood, which is higher in Sweden than in rival countries. Mr Kerr suggests that wood costs are 60 per cent lower in Canada than in Sweden. Competition for wood and limitations on supply have even led Sweden to import it, whereas Canada still has huge areas of readily accessible timber. And in the long run, Swedish producers face competition from warmer countries, such as South America and southern Europe, where trees grow far faster than in Sweden.

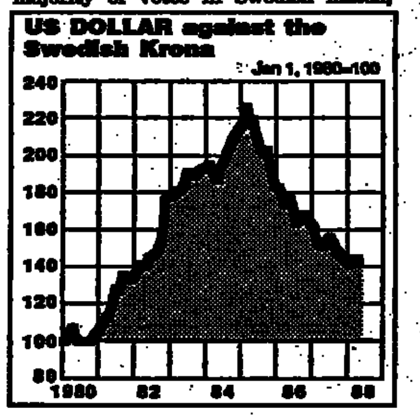
Faced with these competitive disadvantages, the Swedish industry is attempting to reduce the the amount of pulp it sells on the open market. Mr Tim Youngman, Scandinavian analyst at the stockbrokers Savory Milln, says: "The recent acquisitions reflect the strategy of putting as little pulp on the open market as possible and using as much as possible in-house."

Similarly, the industry is seeking to reduce the wood content of the final products, by moving towards higher added value, downstream goods. Mr Bernt Löf, MoDo's managing director, says: "We are constantly seeking to reduce the amount of wood in our products."

Svenska Cellulosa (SCA), which until the MoDo deal was Sweden's second largest forestry company, has gone furthest along this route towards consumer products. Its Mölnlycke division, which makes health care tissue, consumer products and toiletries, has shown much faster profits growth than the group's traditional pulp and paper business.

SCA has expanded in the consumer area this year with the acquisition of Peaudouce, the leading French disposable nappy producer, for $346m (£189m). The deal gives SCA a stronger position in France, as well as access to under-exploited markets within the EC, such as Greece. The average per capita consumption of disposable products in the Nordic region is between 13kg and 15kg each year. In Greece, the figure is 2.5kg to 5kg.

Stora and MoDo have been slower to move downstream, although Stora has protected itself to some extent by owning pulp and paper production in North America. Stora's SKr5.9bn bid for Swedish Match, the world's leading producer of matches among other goods, is its way of moving into consumer products. The Wallenberg family is the largest shareholder in Stora and holds the majority of votes in Swedish Match,



raising suggestions among observers that "the gods are shifting their furniture" and that Stora is picking up Swedish Match cheaply.

MoDo, which was the most susceptible of the big Swedish companies to pulp price movements, has chosen to create a broadly-based forestry group by acquiring Holmen and Iggesund. Ironically, MoDo had sold a consumer products business to Holmen last year. Iggesund makes paper and board while Holmen is a leading producer of newsprint. Both are more stable products than pulp, though not to the same extent as consumer goods.

The determination to move away from the lower value, volatile products has been formidable. When MoDo first signalled its intention to create a new grouping with Holmen and Iggesund last year, its advances were frostily rebuffed by Holmen's board and long-standing allies – Ratos (an investment company) and Marieberg (a newspaper and publishing group). MoDo had to pay well above the price analysts considered fair to secure the two controlling stakes in Holmen last autumn.

The Swedes' other aim – to strengthen their competitive muscle in the outside world – is important because the great bulk of paper and board made in Sweden is exported. Of the 7.8m tonnes produced in 1987, 6.1m tonnes were sold abroad, of which 75 per cent went to EC countries. Exports of forest products are vital to the Swedish economy, making up 20 per cent of the value of total exports.

"The Swedes think they have a God-given right to sell paper to Europe, but they are now finding they haven't," notes one industry player. As they come up against competition, they are turning to size as an answer.

Mr Matts Carlgren, chairman of MoDo, says: "The Swedish forestry industry needs larger companies to meet competition, chiefly from the North Americans." Mr Wergens points out that the big US companies, such as James River, Scott Paper and Kimberly-Clark, have established a strong presence in Europe.

The paper industry is very capital intensive and larger companies can make better use of resources, find economies of scale and share research and development expenditure. Buying another company can be a cheaper way to expand than building from scratch. One of the attractions of Holmen for MoDo is that it has very modern paper mills – MoDo would need to spend about SKr1.5bn to build such mills.

Since the EC is its main export market, Sweden is viewing the prospect of the single market in 1992 with some trepidation. Although the European Free Trade Association (Efta), of which Sweden is a member, has free access to the EC, there is a feeling within the Community that the arrangement is too one-sided, and that Efta countries should make some contribution to the EC in return for the privilege of selling there.

The Swedish Government appears to have no intention of seeking full membership of the EC because of the country's neutrality. That has persuaded individual companies to seek closer ties with the Community. They are particularly aware of the attraction of buying or building production within the EC so as to avoid any risk of dumping allegations.

SCA's purchase of Peaudouce and Stora's proposal to exploit Swedish Match's operations in Europe will help achieve international growth. Similarly, Iggesund bought Thames Board Mill in the UK – which makes high quality duplex carton board – for £80m last December. In this way, pulp producers can tie up sales while establishing production inside the EC.

The Swedish companies are also trying to strengthen trading relationships with Japan and Australia as tariffs in both countries are reduced. This would help to lessen dependence on the Community.

Japan is the world's second largest market for paper, in tonnage terms. As it opens up to imports, deliveries of paper are rising. In Australia, the paper industry has traditionally been protected by high import duties. Last November, the Government announced a cut in tariffs from the previous maximum of 30 per cent to 15 per cent over the next two years, with increased scope for duty-free and low tariff imports.

As the pulp and paper industry becomes ever more international, only the largest and most efficient companies will survive. Faced with the prospect of another cyclical downturn, the Swedish companies realise that, although sizeable businesses, they are smaller than the US majors such as Weyerhaeuser, International Paper and Champion International.

Strength will come from having the ability to offer a wide range of products; having the money to invest in the most modern, lowest-cost production facilities; and having the muscle to take on fierce international competition. For Sweden's pulp and paper firms, the mergers are steps towards ensuring their place in the global market.

OBSERVER

The horns of a Dalai Lama

A pathetic story comes from Chatham House, more formally known as the Royal Institute of International Affairs. The Institute has found itself unable to provide a platform for the Dalai Lama when he visits Britain next month.

Normally a visitor like that would be snapped up – either to give a talk under Chatham House rules ("you may use what you heard, but not attribute it either to the name of the speaker or to the Institute") or for a more public address.

The Dalai Lama is getting neither treatment. The Chatham House explanation is that the Institute is simply too busy with other events: it is hosting the Anglo-Soviet Round Table in the relevant week and doing a major book launch apart from its normal activities. Recently the staff have been so overworked that there have been some near disasters, like the right MPs not being invited to meetings.

There is, however, another version around. It is that Wu Xueqian, the Chinese Foreign Minister, agreed to go ahead with his speaking engagement at Chatham House earlier this month only on condition that any tentative plan to invite the Dalai Lama later would be dropped. The British Foreign Office supported the Chinese position, just as it has been unduly deferential to Beijing in not encouraging direct elections in Hong Kong.

Personally we incline towards the Chatham House story – just.

Export promotion

Lord Young's Department of Trade and Industry has finally chosen a successor to Chris Benjamin as head of its Project Export Policy unit which deals with major overseas export projects. He is Christian Adams, who runs the South-East Asia desk in the Foreign Office.

The job involves a high profile in the export world. Benjamin, who moved on to look after parts of the engineering industry in the latest DTI reshuffle, was well liked by exporters for the way in which he spelled out to his colleagues in Government the implications for Britain's export industry of the dollops of aid being meted out to its rivals elsewhere such as Japan. Exporters liked him because: "He stood up to the Treasury."

They are looking to Adams for a similar act. Though still an unknown quantity, his experience includes a period as one of Lord Rayner's efficiency officials looking at relations between the Foreign office and the Overseas Development Administration during the late 1970s. More recently Adams has been senior UK trade commissioner in Hong-Kong where he was involved in promoting British exports, particularly the Daya Bay power station project in China's Guangdong province for which GEC won the turbine order.

Hedonic numbers

The world's investment managers take an obsessive interest in US economic statistics do they read the footnotes? These often reveal the US official statisticians as a hard working, but sometimes rather unworldly, body.

The pressures are the same in all countries: the Government demands early information, yet the statisticians want to wait for more evidence. What makes Washington peculiar is that Congress imposes its preference for quick guesses by law. The statisticians get their revenge in footnotes which explain with unusual frankness how vague the figures really are.

The growth figure for the end of 1987, for example, is now put at 4.8 per cent. After two revisions, what this really means, the footnote explains, is somewhere between 3.2 and 6.3 per cent.

"You don't understand. This isn't a gimmick – I'm really mugging you."

Meanwhile, they labour away at refining the inner meaning of the numbers with monastic devotion. The footnotes to the last inflation figures are a nice illustration. The cost index for housing is now adjusted through what is called a hedonic index.

This has been estimated (after much research) to show the falling quality of houses as they get older. A fine point, and one likely to puzzle British hedonists who think, according to London prices, that houses, like wine, improve with age.

Flowerpot man

The green-fingered efforts of Lawrence Banks, a director at Robert Fleming Holdings Ltd, have failed to revive the wilting fortunes of a sad looking fig tree in the atrium at the Copthall Avenue headquarters.

Banks, who is also treasurer of the Royal Horticultural Society, shows a genuine concern for his plants although he is not too thrilled at the display of succulents and tropical varieties. Every now and again he can be seen on his hands and knees with a trowel, which he always keeps in his desk drawer, furtively introducing new species of his own.

The last one was a purple passion flower, which he hopes will fare better than the Hymalayan clematis he planted on an earlier occasion and which lapsed into a spell of "extended summer dormancy".

Maid Marion Way

Nottingham is going to need its sheriff if a dispute between rival plans for developing the tourist potential of Robin Hood becomes any more heated. What started with the air of a skirmish in a Sherwood glade is taking on the mantle of a shoot-out at the OK Corral.

Two separate plans have been produced for Robin Hood displays and each camp believes that the town is not big enough for the both of them.

On the one side there is the £1.5m Pageant of Robin Hood Centre, a Disney World-inspired scheme which would tell the story using "near human animatronic figures and the latest in visual technology".

Now, however, plans have been revealed for the Tales of Robin Hood centre just 200 yards away in Maid Marion Way. The Tales of Robin Hood Plc Business Expansion Scheme flotation has already attracted applications for 750,000 of the 2.75m £1 shares according to Andrew James, the director co-ordinating the project who said almost all the subscribers had been from the south-east. "Everyone appears to believe in Robin Hood except for Nottingham people," he said.

The James group has drafted in historical big guns such as James Holt, professor of Medieval History at Cambridge whose book, Robin Hood, is one of the most authoritative works around. Another adviser is Jonathan Bean who worked on the Jorvik Centre in York.

Prophets go to Zurich

From Mr Ernest Freyhan.

Sir, Curiously, Peter Riddell and Observer (March 25), each cataloguing top Tories who in their time, like Sir Geoffrey Howe on March 24, made keynote speeches in Zurich, both overlooked what is surely the most illustrious example of all: Winston Churchill's "Plea for a United States of Europe and Franco-German friendship."

The year was 1946, when Churchill was leader of the Opposition against his wartime deputy, Mr Attlee, and far ahead of the rest of the field. Some, in equally high places, have yet to catch up with him – though not Sir Geoffrey. "A prophet is not without honour..."

Ernest Freyhan,
65 Vincent Court,
Bell Lane, NW4

Reporting of dispute disputed

From Mr Alan Sapper.

Sir, Your reports of the TV-am dispute wrongly refer to "striking technicians" (March 24) and to a continuing "strike" (March 25).

The fact is that a lock-out by TV-am management began on November 24 last year; followed by dismissal notices to technicians on February 16 last.

The matter is not only the important one of accuracy, for two main reasons. First, the company has now received many claims for unfair dismissal and compensation, as our 229 members (and the three dismissed trainees who were never involved in a dispute) were given no prior notice of dismissal.

Second, the lock-out and sackings highlight the eccentricity of the management style of the TV-am boss, Mr Bruce Gyngell.

I should like to bring to the notice of your readers that despite the irrational treatment our members and the three non-union trainees have received, we are actively striving for negotiations with the company. We are convinced that an agreement could be reached that would be satisfactory to all concerned, should management return to agreed procedures for resolving differences.

Settlements, without management-provoked confrontation, have been and are being reached on similar problems with other independent television companies.

Alan Sapper,
General Secretary, Association of Cinematograph, Television and allied Technicians (ACTT),
111 Wardour Street, W1

'Another example of discrimination'

From Mr Alan Holme.

Sir, Last year I drew attention to the subsidy of £206m per annum, which is given by Parliament to Network South East (Letters, October 6).

Now I read that Parliament may sanction the building of another deck on top of the M25 motorway. Evidently not content with providing over £1bn to build the M25, Parliament seeks to pour yet more money into the transport system for commuters in the south east of England – another example of discrimination.

It would be nice if the City of Leeds had an orbital road. We have the Outer Ring Road, but this encircles only 75 per cent of our city: the south east sector, from Austhorpe to Middleton and Tingley, is missing. All traffic between these suburbs must go through the centre of the city. There are several other cities in the North that have similar problems.

We would like Parliament to try to improve the inadequate road networks of the regions, and move some government departments out of London, to relieve the strain on the transport network of the capital and to help our regions to develop. In spite of the so-called boom, the City of Leeds has 9.8 per cent of its work force out of work. The neighbouring city of Bradford has 11.7 per cent of its work force unemployed.

Alan Holme,
16 Bunger Hills Avenue,
Horsforth,
Leeds, Yorkshire

Letters to the Editor

£ strength may be short term

From Mr Brian Pearce.

Sir, Roger Bootle ("Foreign exchange intervention: The cost to the taxpayer" March 23) neglects to mention the benefits of foreign exchange intervention – to industry in particular. If the $22bn worth of intervention to keep the pound down had not taken place, then – at a conservative estimate – the exchange rate may have been 5 per cent higher in trade-weighted terms.

The ITEM Club (the Independent Treasury Economic Modelling Club, sponsored by Ernst & Whinney) used the Treasury's own computer model of the UK economy to analyse the effects that this would have had.

National output would have been 3-4 per cent lower as a result of the loss of international competitiveness, a fall in national income of £2bn in 1980 prices. Unemployment may have been 50,000 higher. Moreover, there would have been an adverse compositional effect on gross domestic product (GDP) with already buoyant consumer spending boosted further, and exports lowered.

Concern about potential losses on foreign exchange reserves has attracted attention largely because of the current strength of the pound. It is arguable that this strength may be a short-term phenomenon because of investors seeking a quick profit from the UK's high interest rates.

The latest ITEM forecast suggests a growing deficit on the current account, rising to about £6bn (one and a half per cent of GDP) this year from £1.7bn in 1987. Once the markets become aware of this deterioration then the pound could easily fall from its current rate of DM 3.10 to, say, DM 2.86 by the end of the year.

In which case, the £1bn deadweight of public debt Mr Bootle calculates, from the sale of £10bn on the foreign exchanges, could become a £1bn profit.

Brian Pearce,
ITEM Club, Room 1825,
Millbank Tower,
Millbank, SW1

More an excuse than a fact

From Mr Michael Pearce.

Sir, Articles written and press comment made about this Government's economic policy appear to accept without question that industry's export costs are entirely in the hands of the foreign exchange markets – that there is nothing industry can do to protect itself from the capricious whims of a market over which it has no control.

I suggest that the link between poor export performance and volatile exchange rates is more an excuse than a fact. Businessmen would be accused of negligence if they did not insure company assets against fire or other damage, but many of them refuse to take out cover for foreign exchange exposure.

In calling for greater exchange rate stability, exporting companies are asking that the public pay the costs that they themselves are unwilling to incur in using the forward foreign exchange markets. Any steps taken to influence the markets against their natural direction are going to be inflationary and that inflation will be paid for by the public.

If industry exploited the advantages offered by the foreign exchange and futures markets, instead of bleating about them, it might find more sympathetic ears when lobbying for protection from overseas competitors. As it is, one cannot help but think that the markets are being used by industry as an excuse for not putting its own house in order.

Michael Pearce,
Church Farm House,
Aldbury,
Tring, Hertfordshire

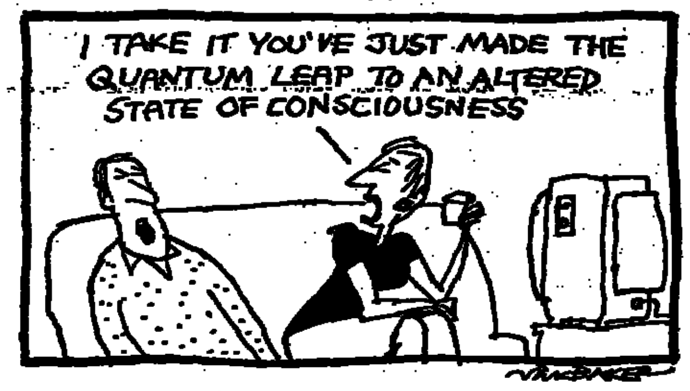
Population increase is bad news

From Mr G.L. Barney.

Sir, In your survey on Cheshire (March 11), Mr Ian Hamilton Fazey appears to radiate a sense of triumph from the fact that between 1961 and 2001 the population of Cheshire will have increased by a third – from 750,000 to 1m. (From the tenor of the article it would appear that increasing the population of the area is an aim in itself.)

I would suggest that such an approach spells doom for the quality of life in Cheshire. One has only to look at the Home Counties around London to see the undesirable results of attracting too many people.

G.L. Barney,
16 Croft Road,
Wilmslow, Cheshire



Either way it is quite a big jump

From Dr Geoff Brownlee.

Sir, Your television critic, Christopher Dunkley, is on the right track with his definition of the quantum (March 23), but I prefer Professor George Steiner's grasp of what a quantum jump is all about: an instantaneous transition from one distinct state to a second, quite different state. (Quantum theory even allows the first state to exist within Mr Dunkley's office and the second somewhere beyond the Milky Way. Either way, it's quite a big jump.)

At least, that is my view – but it's a long time since I made the quantum jump from quantum mechanics to ITV public relations.

Geoff Brownlee,
Controller, Corporate Affairs,
Yorkshire Television,
Leeds

Employers' links to GCSE

From Mr Nicholas de Jongh.

Sir, I was interested to read (Letters, March 10) Mr Duncan Heenan's concern over the lack of information available to employers on the new General Certificate of Secondary Education (GCSE) examinations.

Two years ago the Engineering Employers' Federation produced a booklet for its 5000 member companies on "School Examinations in England and Wales and their Relevance to Recruitment".

This explained the principal examination systems to employers, including the new GCSE. Further copies are available to members £2, non-members £4.

Nicholas de Jongh,

Engineering Employers Federation, Broadway House,
Tothill Street, SW1

Engineers are the losers too

From Dr M.G. Moore.

Sir, In view of the problems currently surrounding the settlement of the "debts" of the less industrialised countries to the international banks, it is instructive to note the terms of the loan made by the US to Britain in 1945 at the end of the war.

1) Nothing was payable for 6 years from the date of the loan.

2) Nothing was payable when exports were less than 60 per cent by volume of the pre-war figure.

3) Interest was fixed at 2 per cent.

4) Maximum payment of £35m was payable in years in which external income was 50 times that figure, that is, £1.75bn; and all interest was waived for the years in which income fell below £1.75bn.

The big problem for the banks is not the loss of the money, which has gone already, but being in danger of the loss of competitive position in an uncertain situation.

The civil engineering business, as so often before, is a significant loser; it has to bear the brunt of the downturn in both bank lending and foreign government income, exacerbated by the financial policies which the International Monetary Fund (IMF) has sought to impose on the governments. Engineering projects have enough technical and practical problems inherent in the task in hand; to expect these businesses to have to suffer from arbitrary external losses is neither just nor useful: it rewards the gambler and the get-rich-quick merchant at the expense of the honest labourer.

Civil engineering businesses are beholden individually to banks, Government departments and the IMF to obtain jobs abroad – which is, I dare say, the reason why criticism of these institutions is so much less vocal than it is for, say, the trades unions.

For lenders to enter into deals which make paupers of their partners is short-termism of the most extreme kind; this cannot be an option for an international bank. Can no policies be worked out which lead to mutual benefit? That, after all, is the theoretical justification of industrialisation.

M.G. Moore,
Department of Civil and Structural Engineering,
The University of Manchester Institute of Science and Technology,
PO Box 88,
Manchester

Whence come the PO statistics?

From Mr Alec Ogle.

Sir, I do not recall when a letter from our works in Grimsby reached London the next day, or vice versa (Letters, March 21). Maybe Humberside is off the Post Office spine of England – but this may apply countrywide.

A brief study of letters sent and received over the past two weeks shows that fewer than one in 10 arrive next day, even within London. As for Scotland, it might as well be on another planet.

Can the postal services please tell us from where they get their statistics of over 80 per cent 1st class deliveries next day? Certainly not from me.

Alec Ogle,
Seaforth International Defence Industries,
55 Park Lane, W1

It was a most exceptional day...

From Mrs Diana Schick.

Sir, Your correspondent in Buckinghamshire should know that the train due to arrive here at Sion station, at 10.25am today (March 2), was exactly ten minutes late. The announcement of delay caused consternation.

I do not want to be unfair to Swiss Railways: today was a most exceptional day.

Diana Schick,
Chalet Haut de Cry,
Granois,
Switzerland.

'Why not regard the electricity industry White Paper as a false start?'

From Mr Andrew Cooper.

We have the opportunity to masticate the indigestible contents of the White Paper on the privatisation of the electricity supply industry. I wonder how Mr Cecil Parkinson, the Energy Minister, chose his advisors before rushing into print. A few have built power stations and transmission lines, but no one was selected from among those who had to operate them.

The designers and builders of Wurlitzer organs for our cinemas were *not* the people who gave virtuoso performances on the keys. By the same token, the operation of the electricity grid system and its power stations is a completely separate activity, more art than science; to do with such intangibles as weather forecasts, strikes and, probably above all else, with the habits of *people* – the impact of radio and television programmes, general elections, Miss World competitions, freak storms, galloping conductors... the list is endless, but as a background to all such activities the operators must always be aware of the risks of "cascade tripping."

This danger occurs when the failure of any one line can trigger off the subsequent failure of others. Ultimately this could lead to a breakdown of the whole supply system. And the human activities mentioned are only a few of the non-text-book hazards being dealt with by the control staffs of the Central Electricity Generating Board (CEGB).

Normally they are able to deal with them – because the generators are part of the same organisation. The experiment to split them is, to say the least, a leap in the dark.

So far as the financial efficiency of their operation is concerned, the incremental loading of the power stations is based on an order of merit which is under constant scrutiny. To suggest that 30 per cent of the generating plant could be hived off to compete with the remaining 70 per cent is nonsensical to anyone who has had experience in this field. Friends in other countries, including the Americas, Europe and Japan, have only one comment on these proposals: "You must be mad."

When Mr Parkinson asks the leaders in the industry to give their views he should remember that self preservation is the first law of nature. Proposals put forward by each of the protagonists will not be based on the premise, "How will these affect the country?" but "How will they affect me?"

Why not burn the White Paper and begin again, starting with one Area Distributor, and seeing what the owners do with their new-found freedom. Tell them that they can build their own stations close to local loads, preferably supplying combined heat and power. They may choose to dispose of their showrooms, and allow private contractors to compete for selling electric cookers, freezers, fires and lamps. They may wish to obtain competitive tenders for cable laying and jointing, and the erection of lines and substations.

Much could be learned about probable savings before moving on to the next Board. There is no need for an overnight national revolution of the industry. When all 12 Boards have been privatised, attention could then be given to the CEGB. However much it wants to privatise the CEGB, Government will be unable to leave it alone. Its possible impact on national and international situations would be too great for it to be left entirely in the hands of private operators. A small watchdog committee of three or four experienced people, rather like the previous Electricity Commissioners, could be established. This could keep an eye on the CEGB in regard to choice of plant, manning levels, fuel purchasers and financial performance; it could also act as a clearing house for disputes between the distribution Boards and the CEGB – that is, between the retailers and the wholesaler.

Why not forget the White Paper or regard it as a false start? There is still time for a second think. That think could be based on a new, non-disruptive approach.

Andrew Cooper,
42 Hove Park Road,
Hove, East Sussex

FOREIGN AFFAIRS

Constructing a cage for South Africa

Edward Mortimer suggests the West tries harder to keep South Africa within its own borders

WHEN is a sanction not a sanction? When it is a "restrictive measure". That is the term used by the British Government for the limited ways in which it has so far been prepared to interfere with trade and other forms of intercourse between Britain and South Africa, generally as the price of avoiding more "punitive" sanctions by multilateral bodies to which Britain belongs.

The theory is that such measures "send a strong political signal" to the South African Government but do not damage the South African economy. The British Government maintains stoutly that damaging the South African economy is not the way to combat apartheid, because in the short term the blacks are the first to suffer and because in the longer term economic growth is the most promising recipe for peaceful political change.

Earlier this year these arguments received powerful intellectual support with the publication by the Economist Intelligence Unit of Merle Lipton's report, Sanctions and South Africa. Mrs Lipton, a liberal white South African emigrée, is a longstanding proponent of the view that capitalism and apartheid are ultimately incompatible. She insists on the "erosion" of apartheid which occurred after 1970 in the socio-economic sphere, conceding that external factors played a role in it but asserting that domestic pressures were more important – notably those of Afrikaners, many of them within the ruling National Party, who as they became more affluent and educated also became more aware of apartheid's economic costs.

In the 1980s South Africa's economic performance has been much less impressive. This probably had little to do with sanctions as such, something to do with declining international confidence in South Africa's political prospects (which certainly contributed to the sudden flight of capital and withdrawal of short-term credit by foreign banks in 1985), but most to do with changes in the world economic climate, particularly the worldwide shortage of new capital for developing countries.

Even so, there can be little doubt that it is possible to aggravate South Africa's economic difficulties by imposing further sanctions. The real argument is about the political consequences of doing so. Two years ago, with the black townships in open revolt and the Botha Government apparently at bay, it was possible to believe that a really determined and united stand by Western countries would deliver the *coup de grâce*, forcing the Afrikaner establishment to recognise the impossibility of perpetuating its minority rule and therefore the necessity of exploring a genuine power-sharing arrangement through negotiations with an authentic black leadership, the core of which would have had to be the African National Congress.

Today, with the Government clamping down on even the most moderate black opposition while still losing ground to right wing diehards within the white minority, and with black violence successfully diverted into an internecine struggle, it is much harder to believe that. The moment for a *coup de grâce*, if moment there was, has passed. That is not to say it will not return. But it does suggest that for the time being we are into a phase where economic difficulties demoralise rather than stimulate black militancy, and in which the influence of liberal capitalists is outweighed by the defensive and repressive reflexes of Afrikaner nationalism.

It certainly seems either disingenuous or naive to present sanctions as an alternative to violence, as some lobbyists do, especially in the churches. The supremacy of 5m whites over 26m blacks is a system that requires violence to maintain itself, and which will not be ended without violence.

There is undoubtedly a great deal more very unpleasant violence to come, and it must be accepted that sanctions, if they have any effect at all, will make matters worse in the short term for many South African blacks and also for South Africa's black neighbours. The only justification for them must be that they hasten the end – which is impossible to prove, but which Mrs Lipton cannot really disprove either.

The trouble with the case against sanctions is not that it is intellectually untenable but that it is becoming morally untenable, as sanctions have become the main litmus test used by the anti-apartheid lobby to judge the attitude of governments and individuals. The most difficult question for people like Mrs Lipton to answer is, "If sanctions won't work, or are counter-productive as you argue, what do you propose we do instead?"

The hope that economic growth will produce peaceful change is no longer much of a hope, since the change now required is not in the socio-economic sphere but in that of political power – where the white community is much less likely to be swayed by economic arguments until its own way of life is directly threatened. In any case there is little prospect of economic growth resuming on a scale that would even contain black unemployment at its present level, let alone produce another labour shortage.

As for "advocacy" (favoured by Sir Geoffrey Howe) and the sending of "political signals", there is absolutely no sign that those signals are being received. Clearly something more is needed.

It is equally clear where that something more can and should be done, consistently with the proclaimed policies of Britain and other Western countries. For whatever the merits and demerits of trying to interfere in South Africa's internal affairs, there is clearly a strong international duty, and Western interest, in containing South Africa within its own borders and putting a stop to the systematic destabilisation of neighbouring countries in which it indulges.

Instability and economic difficulties in Southern Africa are, according to a pamphlet published by the British Foreign Office, "largely attributable to the unjust and immoral apartheid system and the tension this has engendered between South Africa and her neighbours." The pamphlet goes on to enumerate various forms of British aid to those neighbours, but the sums involved are rather paltry, especially when it comes to the military dimension where the assistance is confined to training.

The nine states of the Southern African Development Co-ordination Conference (SADCC) are struggling to develop their economies and to reduce their dependence on South Africa. South Africa has a clear interest in preventing them from doing so and does not hesitate to use military means whether her own armed forces (as yesterday in Gaborone) or, most notably in the case of Mozambique, by cynically promoting civil conflict. Mozambique's troubles may partly stem from initial mistakes made by its Marxist government after independence, but the fact is that it has never been left in peace and that it now lacks both an effective army and an effective administration. It is quite literally at South Africa's mercy, and likely to remain so without much more determined western support, amounting for a time to something like a protectorate.

Zimbabwe, though much better able to govern and defend itself, is also acutely vulnerable to South African interference with its trade and communications – as are Botswana, Lesotho and Swaziland. Namibia remains illegally occupied by South Africa, and efforts to negotiate its independence have stalled, apparently for good, because the Reagan Administration encouraged the South Africans to link the issue to the Cubans' presence in Angola, which in turn cannot be ended so long as South Africa maintains its intervention in the Angolan civil war on the side of Jonas Savimbi.

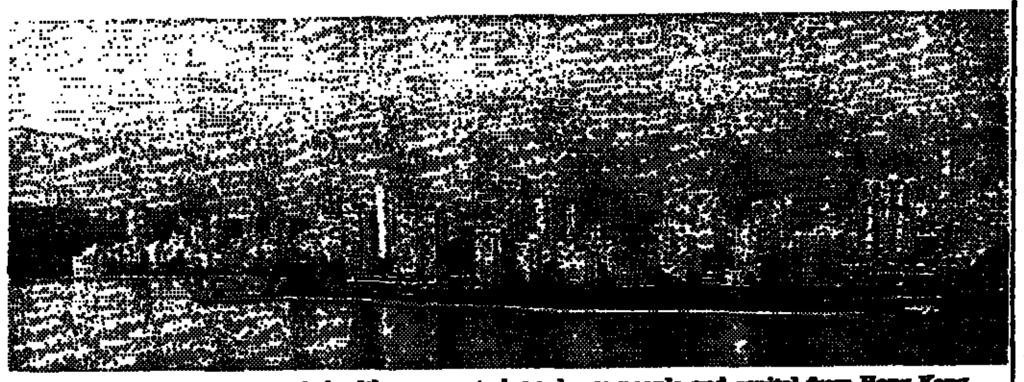
The Reagan strategy of "constructive engagement" with South Africa, like all the other strategies, has clearly failed. It is surely time that the West adopted a much more rigorous policy of containing South Africa within its borders, while waiting for a better opportunity to exercise constructive influence on its internal politics. While it may not be possible to browbeat President Botha into changing his domestic policies, it surely would be possible to deter his incursions into neighbouring countries if he knew that they could count on Western military aid.

FINANCIAL TIMES

Tuesday March 29 1988

David Owen charts the economic recovery of a Canadian Pacific province

Vancouver awakes to a new spring



Going upmarket: Vancouver's healthy prospects have drawn people and capital from Hong Kong

THE CANADIAN Pacific coast city of Vancouver is among the prime beneficiaries of the flight of people and capital from Hong Kong ahead of the 1997 transfer of the British colony's sovereignty to China.

South-east Asian investors are estimated to have acquired during the past five years about 5 per cent of downtown Vancouver's commercial property. Their holdings include the swanky Georgia Hotel and the better part of two blocks of Robson Street, known locally as Robson Strasse for its upmarket European retail outlets.

Their confidence in Vancouver's prospects had seemed until recently largely misplaced, as this picturesque and temperate metropolis struggled through the depths of a sustained slump. But, today, the capital injection, which last year helped to boost the price of local apartment blocks by an estimated 20 per cent, is seen as just one aspect of an increasingly evident regional economic revival.

From the Arthur Erickson-stamped downtown core to the revitalised and bohemian warehouses of Granville Island, Vancouver is walking with a spring in its step. After going through agonies during the 1982-86 recession, Canada's Lotus Land and its vast provincial fiefdom are poised to boom again. According to Pemberton economist, Mr George Pedersson (writing in February), British Columbia "has a much brighter future than was the case four short months ago."

Superficial symptoms of prosperity are reinforced by a welter of hard statistics.

The value of manufacturing industry shipments in the 11 months to last November showed a gain of 11.1 per cent from a year earlier. For the month of November alone, the year-on-year improvement was a remarkable 28.7 per cent. In December, the number of people employed in the province was up fully 6.1 per cent from December 1986. Real earnings are climbing at an estimated 4-5 per cent, having fallen by 3-5 per cent as recently as late 1986.

Not surprisingly, the main engine of the upturn has been the forest products industry, which accounts for close to 17 per cent of British Columbia's provincial output. At the end of November, the sector's value of shipments was up a startling 68 per cent from November 1986, buoyed by a dramatic turnaround in the long-depressed pulp and paper markets. This has translated into record industry profits and a flurry of capital project announcements.

However, encouragingly for those who fear a recurrence of the ultimately damaging boom-bust cycle of 1981-82, the forest industry's strength has begun to permeate the rest of the economy. Mr Pedersson said: "Economic growth is broadening out...to encompass business investment, manufacturing and other resource sectors."

The mining industry (except coal) has of late been enjoying a period of bumper returns. Copper prices in particular have soared after four years in the doldrums. The all-embracing services sector continues to expand, providing 60-70 per cent of the province's net new jobs. The fastest growing area of all, meanwhile, is electronics – which has rapidly become British Columbia's fifth largest industry.

In addition, the combination of the wholesale lay-offs of the retrenchment years and the reluctance of many of those let go to forsake the region's pleasant climate and peerless leisure facilities, has sparked something of a blossoming of small business across a variety of sectors.

The proportion of the overall labour force now self-employed has risen to 17 per cent, against 13 per cent nationally. Mr Richard Allen, chief economist of the B.C. Credit Union, said: "We have more entrepreneurs per capita in British Columbia than anywhere else in Canada."

The province is also well-placed to capitalise on recent trade developments. This year's bilateral trade agreement between the US and Canada should provide some stimulus for further raw materials growth, although its likely impact on the province's manufacturing industries is at best mixed. At the same time, the province is geographically well-situated to cash in on burgeoning Pacific rim trade opportunities.

Of course, the overall economic picture is not without blemishes. Unemployment remains high at a fraction over 10 per cent. Economists are projecting a near doubling in inflation to slightly more than 6 per cent in 1989. And the Vancouver Symphony Orchestra recently folded beneath heavy accumulated debts.

Most seriously, in the short-term, labour negotiations begin next month in the notoriously confrontational forest products sector. While many people are optimistic that the industry's current buoyancy will smooth the path to a painless settlement, the track record over recent years augurs anything but well.

In the longer run, the province has much to fear too from a US-led economic downturn. "We are still heavily dependent on the strength of the US economy," said Mr Allen. In all, the US purchases about 57 per cent of British Columbia's manufactured goods.

UK central bank chief seeks to clarify policy on £

By Philip Stephens, Economics Correspondent, in London

MR ROBIN Leigh-Pemberton, the Governor of the Bank of England, yesterday sought to clarify policy towards sterling by stressing that the official aim was to promote exchange rate stability as long as it was compatible with efforts to hold down inflation.

In evidence to the House of Common's Treasury and Civil Service Committee, the Governor hinted that the Bank had been operating within a new range for sterling's value since the decision earlier this month to allow it to rise above DM3.

He insisted, however, that there was no precise or inflexible target, nor was the Bank operating a policy of "shadowing" the D-Mark. He repeated on several occasions that attempts to hold the exchange rate steady would not be allowed to jeopardise the Government's anti-inflation strategy.

Mr Leigh-Pemberton's remarks during nearly two hours of questioning by MPs appeared to reflect the terms of the recent truce between Mrs Margaret Thatcher and Mr Nigel Lawson, the Chancellor, over exchange rate policy. The Bank Governor discussed his evidence at a meeting with the Prime Minister and the Chancellor on Friday. Mr Lawson is due to appear before the Committee tomorrow.

Yesterday he sought to tread a fine line between No 10 and No 11 Downing Street by emphasising both the primacy of anti-inflation policy and the desirability of a stable pound.

"We do give as much consideration as we can to stability of the exchange rate within the context of the overall anti-inflation stance", he told the Committee.

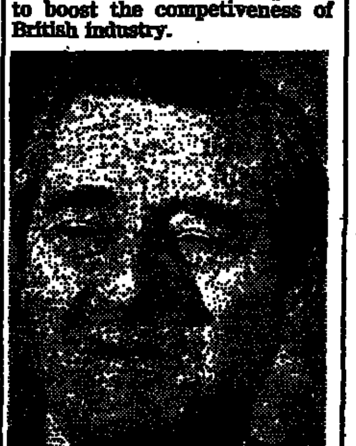
Facing intense questioning by MPs, Mr Leigh-Pemberton tried to avoid giving any indication that the Bank would now seek to hold sterling below a particular level against the West German currency. The authorities did, however, "observe" the sterling D-Mark rate closely.

Intervention on foreign exchange markets to prevent short-term movements in the pound's value was perfectly acceptable providing that "it does not become a habit", he added. The decision to allow sterling to move above DM3.00 was taken because the scale of intervention needed to hold it below that level would have risked a resurgence of inflation.

In a detailed account of policy towards the pound last year, Mr Leigh-Pemberton said that between early 1987 and the beginning of this month, the authorities had sought to hold the pound in a range between "DM2.80 and the DM2.90s". Most of the $20bn of currency intervention over the past year reflected that policy rather than British participation in international efforts to support the dollar.

The Bank Governor said that the economic arguments for full British membership of the European Monetary System were finely-balanced. In an oblique reference to the Prime Minister's opposition, he said whether Britain did take sterling into the exchange rate mechanism was a "political decision".

He firmly rejected calls from some MPs that the authorities should seek to devalue the pound to boost the competiveness of British industry.



Leigh-Pemberton: evidence to House of Commons

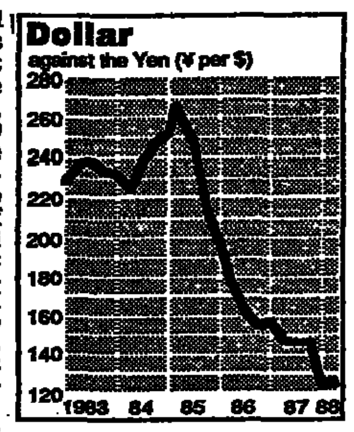
THE LEX COLUMN

Searching for an Easter message

It is not easy to argue that all this is just a correction, but it is still possible. The London market has fallen six days running since the end of the Budget account, and the FT-SE has lost over 100 points in total. But just as the previous rise was logically consistent with a bear market, so the latest fall could fit a pattern of recovery. Any half-sophisticated investor knows the theory that major crashes have their recovery phase, the third leg of the M before the long decline sets in. So even if this were a true recovery, it would be logical for the market to test the bear theory before proceeding upwards.

One snag comes if the theory is tested to self-fulfilment. These successive 20-point falls are very trying for the market's nerves, and could eventually make the long decline a matter of fact. The other snag is that if this is a true bear market, it can only be global in scale; and since the focus of concern in the world economy is still the US, it is perfectly sensible for the UK market to shadow Wall Street at this point rather than look to fundamentals at home.

All of which makes this a perversely difficult week. Fund managers already have to decide whether to take their profits for the quarter – such as they are – or chance it over the dead period of the Easter holiday. But until Easter, the UK market also has to cope with Wall Street opening at 3.30 London time because the clocks have moved forward. Nor is it possible to look to sterling for guidance, since the important currency relationship this week is the yen/dollar rate – and Japanese investors are likely to lie low until the start of their financial year on April 1. Taken all round, if the present account ends next week this side of 1,700, it could be a healthy sign.



Oil prices

There is something disquieting about the new confidence in the oil market. In the last fortnight the price has risen smartly to nearly $16 a barrel not because there has been any change to the dreary picture of over-supply, but because oil producers, who continued to pump oil all the way down to $14, are apparently coming round to the view that remedial action is necessary at last. The news that Opec's special pricing committee has stopped shilly-shallying and fixed a date to meet and the further signs that non-Opec members may be willing to cut production both suggest good intentions at least. But the market evidently reasons that, with demand only 500,000 barrels a day or so short of supply, it would not take a large cut to push prices up, and has therefore decided to start celebrating in advance.

Indeed, if producers do agree on a cut – even a temporary one – prices could quickly recover to $18 or more. But if present efforts come to nothing, the market will be left alarmingly exposed, with Opec production running as much as 20 per cent above quota and oil stocks still much too high. Next month's meeting of the pricing committee cannot in itself establish the urgently needed production cuts, and although the committee could suggest the full Opec meeting be brought forward from June, finding an earlier date may not be practicable. In the immediate future, stirring words are probably the best that can be hoped for; but that will never do the trick unless action quickly follows.

Standard Chartered

The last time a big British bank cut its dividend – if ever – is lost in the mists of time. Even the dear old Midland held its dividend in 1984 when the problems of its ill-fated investment in Crocker pushed the yield on its shares to over 13 per cent. Indeed, it seems to be a sacred tenet of British clearing banks, at least, that while everything including the bank's headquarters may be put on the block to save the bank, the dividend remains untouched. However, judging by the recent slump in the shares of Standard Chartered, which are now yielding 11 per cent, this piece of banking lore may soon be tested.

Standard Chartered, which reports its 1987 results tomorrow, has been paying out higher dividends than its earnings justified for a long time, and its 1987 losses will only serve to highlight its shortage of capital. Even after the sale of its US subsidiaries goes through, its equity to assets ratio will be substantially below the average for the Big Four clearers, even though it should be higher. It is argued that a dividend cut might damage confidence in the wholesale money markets, where Standard Chartered is a big player, and would do little to solve its capital problems, anyway. However, the price for paying out excessive dividends over a long period is the need for a major rights issue, which by now would be like asking shareholders to transfer money from one pocket to another.

Steetley

The fact that Steetley has bought itself a quarry only a kilometre from the French end of the Channel Tunnel will quite likely do more for the company's image than for its earnings. Neither seems to be in any difficulty at the moment: four years of earnings growth averaging 27 per cent a year have made it look reliable, while yesterday's 36 per cent increase suggested it might be something more. That said, Steetley can scarcely go wrong by focusing attention on its Gallic operations. As the newly crowned leader in the French aggregates market, it should benefit from an active French road-building programme. Meanwhile, it should not be that difficult to squeeze better margins out of recent acquisitions in the French building materials sector, by going for a measure of decidedly non-Gallic vertical integration.

At home, where the company's lack of a south-eastern base has been a handicap, recent signs of strength in private sector construction in the Midlands and the north should put Steetley on more of an equal footing.

Israel seals off territories amid fears of strike

Continued from Page 1

including his own Labour Party, to take tougher measures, in an attempt to stamp out the unrest as quickly as possible.

Over the coming days, security sources say the army is expected to take the opportunity to mount more aggressive searches and roadside checks than hitherto. Minor infractions of personal or vehicle documentation requirements will be treated as grounds for arrest.

The army is refusing to say how many Palestinians are currently in detention or how many prison facilities are being used to house them. But, at a conservative estimate, the number of detainees is thought to exceed 4,000.

In anticipation of violent clashes with Israeli Arabs on Land Day, the Police Ministry announced yesterday that all leave had been cancelled.

West Germany arrests six suspected Soviet agents

BY DAVID GOODHART IN BONN

THE WEST GERMAN security services yesterday detained six men on suspicion of spying for the KGB, the Soviet secret service, after arrests of suspected Eastern bloc spies within a week.

Security officials believe the arrests go some way to restoring confidence in the West German counter-intelligence service after the defection to East Germany of its former head, Mr Hans Joachim Tiedge, in 1985.

The latest arrests have no connection with the detention last week of Ms Elke Falk and subsequently several others, which seems to be just the latest unmasking of a secretary in the Bonn Government who had been trapped into supplying the East Germans with a flow of low-level information.

None the less, the two incidents together suggest that the counter-intelligence service has found a new and effective system for uncovering spies after its post-1985 shake-up. The West German Federal Prosecutor, Mr Kurt Rebmann, said of the latest arrests: "This is the biggest blow to the Soviet secret service since the establishment of the Federal Republic."

Of the six KGB suspects arrested – three engineers, two teachers and a businessman – only one of the engineers appears to have handled anything of significance, namely details of two major Western defence projects, the four-nation Eurofighter jet and Nato's Tornado fighter. The others are said to have been engaged in more routine industrial high technology espionage.

Mr Rebmann said current investigations could yield more arrests, and it has already been announced in Switzerland that a 40-year-old foreign engineer is being held in Berne in connection with the West German arrests. It appears that the West German six did not form a spy-ring but three were Russian emigrés who had applied for West German citizenship.

The episode is not expected to impair Soviet-West German relations, and will certainly not prevent the visit to Moscow in September of Mr Helmut Kohl, the West German Chancellor, although some tit-for-tat exposes cannot be ruled out.

However, some political analysts suggest that recent events may qualify the generally enthusiastic public response in West Germany to Mr Mikhail Gorbachev's glasnost policy of greater openness in Soviet society.

Markets fall on fears for $ and world economy

Continued from Page 1

The dollar is also showing increasing signs of weakness on foreign exchanges and could be in for a testing time in the coming weeks.

There is a prevailing view in the market that the US currency has been supported this month by the Japanese Government and investment institutions who were keen to see that the average value of the US currency in terms of yen was kept above 126.80.

This represented the level at which major Japanese investors would not have to revalue their foreign asset portfolios and therefore declare large losses for the financial year just ending.

The dollar closed at DM1.6810 compared with DM1.6755 on Friday and at Y124.15 against Y125.3.

The pound closed at DM3.0875 compared with DM3.0775 and at $1.8590 against $1.8365. The Bank of England's trade-weighted sterling index closed 0.4 points higher at 77.1.

Supporters of restrictive trade laws out of touch, says Reagan

PRESIDENT Ronald Reagan, in a campaign-style jab at his Democratic Party opponents, yesterday accused advocates of restrictive trade legislation of being out of touch with economic reality, Reuter reports from Washington.

"They've got a Trade Bill before Congress that could squelch productivity, destroy American competitiveness, and make all their doomsday myths a reality," Mr Reagan said, referring to the Democratic Party support for the bill.

"In an apparent attempt to import Euro-malaise, they've written in European-style regulations that would create America's first national rules restricting a company's right to close down facilities and relocate operations," he said in a speech prepared for delivery at a Richmond, Virginia, metals factory.

Mr Reagan, who scheduled his visit to the factory to highlight his economic policies, said that the most objectionable provision of the bill now in Congress, where legislators hope to formulate a compromise version by the end of this week, would require mandatory retaliation against nations that fail to open their markets to US goods.

"If enacted, they could weaken the international trading system, and could require the President to start trade wars," he said in a reference to the so-called Gephardt amendment, named after Congressman Richard Gephardt, a Missouri Democrat who has highlighted trade in his campaign to win his party's presidential nomination.

The President, in an apparent dig at Mr Gephardt, who pulled out of the race yesterday after a series of poor showings in primary elections, said: "Protectionism isn't just bad economics – it's bad politics."

Congressional trade negotiators were likely to drop the Gephardt amendment from the final version of the bill. Mr Reagan has threatened to veto the measure if the provisions he objects to remain.

In his speech, the President said his administration had rebuilt America's economic strength and presided over "the longest peacetime expansion" in US history.

In another apparent reference to Democrats, who blame the administration for record budget and trade deficits, he rejected predictions by "some expert, or some politician . . . (of) imminent disaster.

"I'm sorry, but it seems to me that these people are out of touch," he said.

World Weather

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Airbus faces cost shake-up

Continued from Page 1

about Airbus' finances, which are kept confidential, or for a change in the legal status of Airbus Industrie, which is established under French law as a *groupement d'intérêt économique*.

That is likely to disappoint the US, which would like Airbus to be turned into a limited company publishing proper accounts. The US is applying strong pressure on European governments over what it alleges are their illegal subsidies to the project.

Taiwan to buy more gold

Continued from Page 1

ally preferred to put their money into tangible assets such as property.

The Taiwanese have been deterred from going through legal channels to import or trade in gold because the 5 per cent import duty makes the metal that much more expensive than in duty-free areas such as Hong Kong.

The Government charges another 5 per cent value added tax on sales of almost all commodities, including gold, and jewellery shops, which handle much of the private trading, often do not issue invoices for the gold they buy or sell to avoid the tax.

A bill to eliminate both the duties and the VAT is currently before the Taiwanese Parliament.

● Taiwan's central bank increased its gold reserves by 65 tonnes (more than 2m ounces) last year and in January alone bought more than 25 tonnes, bringing its total gold holdings to 276 tonnes by the end of the month.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday March 29 1988

Trump acquires Plaza for $400m

BY RODERICK ORAM IN NEW YORK

THE PLAZA HOTEL, one of New York's most famous landmarks, has been sold for the equivalent of almost $500,000 a room to Mr Donald Trump, arguably the city's most brash developer. He is paying about $400m, one of the highest prices ever for a US hotel.

The 81-year-old building stands as an American interpretation of a French chateau at the south-east corner of Central Park. It is no longer the centre of New York society life but has managed to retain a distinctive cachet.

Although a substantial renovation of the building is near completion, Mr Trump pledged to pour more money into it to make it "the most luxurious hotel in the world." His wife will become president of the Plaza with a salary of "$1 a year plus all the dresses she can buy."

He pledged not to adorn the hotel with his own name, as he has done with most of his other hotels and casinos. Mr Trump is buying the hotel from Mr Robert Bass, a Texas investor, and Aoki, a Japanese company.

Mr Donald Trump: Will not adorn hotel with his name

They acquired it jointly in January as part of their $1.53bn purchase of the Westin hotel chain from Allegis, parent of United Airlines. Mr Trump aggressively out-bid a number of other US, European and Asian investors.

He said he intended to keep all 808 of the hotel's rooms intact rather than selling some as condominiums, as some bidders had proposed.

BCE in deal with Kinburn

BY OUR TORONTO CORRESPONDENT

BCE, formerly Bell Canada Enterprises, has struck a deal with Mr Roderick Bryden, Ottawa entrepreneur, which will give his Kinburn Corporation a C$263m (US$212m) cash injection and interests in two companies.

In return, BCE gains the right eventually to acquire 49 per cent of the paper, packaging and technology-based management holding company.

The move marks a continuation of BCE's aggressive expansion. The group has big printing, packaging and publishing interests through BCE PubliTech.

Under the terms of the current transaction, BCE will invest money in Kinburn through the purchase of subordinated 10 per cent debentures and will acquire a warrant to buy 49 per cent of the company's common shares, exercisable after March 30 1993, for three years.

Meanwhile, Kinburn will acquire from BCE, 100 per cent of both Bell Technical Services, a Toronto-based computer maintenance company, and Rolph Clark Stone Packaging, a manufacturer of paper packaging. In both cases, the transfer of ownership will be effective tomorrow.

BCE will also grant Kinburn an option, exercisable until end-August 1993, to acquire BCE's 47 per cent interest in Computer Innovations Distribution.

Reichmanns lift bid for Asamera to C$512m

By David Owen in Toronto

GULF CANADA Resources, the large Canadian energy group which is part of the growing Reichmann family empire, has sweetened its bid for Asamera, apparently winning control of the Calgary energy production and exploration concern.

Under the bid, which values Asamera at C$512m (US$412.9m), Gulf will increase its tender offer for all Asamera common stock to C$11.875 a share and pay C$25 for each series C preferred share and 35 cents for each common share purchase warrant.

The Asamera board has agreed to recommend the bid's acceptance. The company rejected Gulf's earlier C$456m offer as inadequate.

In addition, Asamera has granted Gulf an option to buy 3.86m common shares at C$11.875 per unit. The option expires on December 31.

Asamera, which last year discontinued its petroleum refining and marketing unit, holds interests in Indonesia and exploration acreage in Canada, the North Sea, Italy and Colombia.

It also has 51 per cent of a US gold mine through its Asamera Minerals subsidiary.

De Benedetti group up 21%

By John Wyles in Rome

CIR, MR Carlo De Benedetti's Italian industrial holding company, yesterday reported a 21 per cent increase in net profits for last year to L66.5bn ($53.7m).

The board has agreed to increase dividends by 10.1 per cent to a total of L53.4bn. Company net worth at the end of 1987 was L1,196bn.

Nick Garnett in London looks at the intense rivalry in the global earthmoving industry

Caterpillar digs its way out of a hole

IS CAT on the way back? In the tough, and sometimes brutal struggle for control of the global earthmoving machinery market, Caterpillar, the world's largest equipment supplier, has suffered years of pain and anguish at the hands of Komatsu.

In the depths of recession and boardroom depression during the early 1980s, observers of smokestack America wondered whether the Illinois company was going to throw in the towel and tamely hand over leadership to its aggressive Japanese rival.

But now the boot seems to be on the other foot. While Caterpillar has been digging itself out of the pit, slowly but apparently successfully, Komatsu has found itself on the rack, wriggling for a better position in an increasingly uncomfortable environment.

In January, Caterpillar announced a 1987 profit of $350m, a jump of $274m from 1986. This was its biggest profit since 1981 and compared with the three years from 1982 when it endured losses totalling $953m.

Sales for the year were up $859m to $8.2bn. Worldwide machine sales increased 13 per cent measured in dollars, and about 6 per cent in terms of unit tonnage.

Exports from the US rose 9 per cent, debt was reduced by almost $100m and capital expenditure increased by more than half to $467m. In some key markets, including the US, Caterpillar increased its share of equipment sales.

It even marginally raised employment, after years of job cuts during which its headcount fell from 89,000 to 54,000.

Komatsu, meanwhile, has recently reported its fifth successive year of profit decline. Parent company pre-tax profits slumped 36.5 per cent to Y18.05bn ($138.8m) last year, a quarter of what they were six years ago.

Net income slid by a third to Y9bn while construction equipment sales, which account for almost 80 per cent of turnover, fell 10 per cent. Its share of the US market dipped, on one estimate, by at least two percentage points.

To help combat the impact of the yen, the Japanese company is also having to source equipment from outside Japan at a much faster rate than it had hoped, creating some stirrings of unrest among its domestic workforce.

It has indicated that it will raise the proportion of its total sales produced abroad from 7.5 per cent last year to about 35 per cent within five years.

At the same time, Komatsu received a dose of unwelcome publicity in 1987 when its president, Mr Shoji Nogawa, was sacked. The company also stated publicly that it was unhappy with its embryonic plant in England, its first European production site.

All this has given Cat's Peoria headquarters plenty of confidence and new heart. Mr George Schaefer, Cat's chairman, said: "We certainly think we have come through the worst now. We are in much better shape today."

CAT'S SEVEN-YEAR RECORD

	Sales ($bn)	Net profits ($m)
1981	9.15	579
1982	6.47	(180)
1983	5.42	(345)
1984	6.58	(428)
1985	6.72	198
1986	7.32	76
1987	8.18	350

Losses in brackets

However, Cat dismisses the talk of those who say Komatsu is really on the slide. "I cannot say that Komatsu is on the defensive," says Mr Schaefer. "I think they are as much on the offensive as they have ever been. They are a capable, competent company."

As if to prove the point, Komatsu's recently-announced intention to pool its US manufacturing and marketing with Dresser Industries of the US, signals that Komatsu is on the point of embarking on another ambitious thrust on Cat's home turf.

In its competition with Cat, many of Komatsu's problems derive from something beyond its control – the strength of the yen. "I guess they are going through the same anguish at Y150 to the dollar as we did when it was Y250," says Mr Schaefer.

However, Caterpillar has undoubtedly made great strides to put itself in a better competitive position. Its determined – some might say savage – attack on costs, which has involved the closure of eight plants and the partial shut-down of a ninth, better inventory control and component sourcing has had a beneficial impact on its manufacturing health.

Mr Schaefer says the company's overall costs have been slashed by 25 per cent since 1981, after allowing for inflation. About $250m a year has been saved by factory closures alone.

This has been accompanied by the start of a $1bn factory re-equipment programme. The company says that the cost of producing small engines at its Gosselies plant in Belgium, for example, is $1,200 per unit lower than would have been the case without these changes.

The US company has also worked hard to move away from the big machines that were once its bread and butter, but for which demand has tumbled, to smaller, more versatile equipment. This included the opening, two years ago, of a plant in Britain to make backhoe loaders.

Cat's performance and strategy have their critics, however. In its expanded joint venture with Mitsubishi, Cat has virtually handed over design responsibility to the Japanese company for the hydraulic excavator, the biggest-selling piece of earthmoving machinery.

Cat has signed several deals with other companies in which they make machinery on its behalf, including articulated dump trucks and small road-making equipment.

With Cat also outsourcing more components, some argue that the company is getting out of manufacturing. Caterpillar says this is nonsense, pointing to the size of its factory re-equipment programme.

It also claims that equipment made by other companies and badged "Caterpillar" only accounts for 5 per cent of its total volume, with products from the joint venture with Mitsubishi adding another 4 or 5 per cent.

Mr Schaefer concedes that a strike last year at John Deere artificially boosted Cat's sales in the US. He also accepts that moving down into smaller types of machinery has not always been easy.

But Mr Schaefer says the company's overall model programme is pretty well on track, just as the factory re-equipment programme is producing all the benefits he expected.

A strengthening of the dollar by 30 to 40 per cent would cause Cat some concern, Mr Schaefer says, but it could live with a move of 20 per cent.

Apart from the headaches thrown up by the day-to-day battle for sales, Cat also faces one overriding policy problem. Its board is now studying ways to diversify in order to reduce dependence on a global construction equipment market which is growing at only 2 per cent a year.

Varity stages a recovery

BY OUR TORONTO CORRESPONDENT

VARITY, the Canadian farm equipment and industrial engine maker formerly known as Massey-Ferguson, has reported its highest operating earnings since 1976, achieved through higher sales, rebounding markets and improved productivity.

At the net level, however, last year's performance was lacklustre, due to the inclusion of a US$60m extraordinary provision.

The provision relates to the recent placing into receivership of Varity's 45 per cent-owned Massey Combines subsidiary. It was offset by a $14m gain from recaptured tax loss benefits.

In its year ended January 31 1988, Varity posted net earnings of only $4.5m – a loss of 6 cents a share – on sales of $1.95bn. Operating profit totalled $50.6m or 22 cents. The corresponding year earlier yielded a net loss of $23.3m on sales of $1.26bn.

Boost for Spain-Argentina telecom plan

BY TIM COONE IN BUENOS AIRES

PLANS FOR a joint venture betweeen Entel, Argentina's state telecommunications company, and CTNE, its 53 per cent privately-owned Spanish counterpart, have taken a step forward with the signing of a letter of intent between both companies.

Foetra, the Argentine telephone workers' union, has also approved the deal, in a move which is especially significant because it will help smooth the proposal's passage through Congress where a law will have to be drafted to authorise the venture.

Peronist opponents of the Government, which has strong trade union ties, had been expected to attempt to block the deal. They may now give cautious approval if assured that the local electronics industry will not be harmed.

The proposal will permit the formation of a new company, of which CTNE will own up to 40 per cent through the addition of between $600m and $900m in new investment. Some of this will be financed through debt-equity swaps.

The partial privatisation of Entel follows last month's proposal to sell 40 per cent of the state airline, Aerolineas Argentinas, to SAS, the Scandinavian airline. That move came as part of the fresh impulse given to privatisation plans

La Générale protagonists tick off days to the EGM

William Dawkins sets the scene for next month's confrontation in a long and acrimonious bid battle for the Belgian holding company

THE DEADLOCK in the bitter struggle for control of Société Générale de Belgique, the holding company which plays a pivotal role within the Belgian economy, has become complete over the past week. So too has the pressure on both camps to find a solution before facing each other publicly at an extraordinary general meeting in just over a fortnight.

Supporters of Mr Carlo De Benedetti, the Italian financier who has shaken the Belgian establishment with his audacious bid, and his enemies in the rival Franco-Belgian consortium defending La Générale, both agree they must talk.

Mr De Benedetti said over the weekend: "We must resolve this deadlock. It has become the paradigm of idiocy and inertia.

"Everybody knows the industrial and financial risks that are threatened by the present paralysis. Both sides have invested a great deal of money – far too much."

Yet behind-the-scenes efforts to negotiate a solution during the current lull in this 10-week battle are getting nowhere.

Viscount Etienne Davignon, a director of La Générale, Belgium's most respected and powerful business institution, confessed in a television interview last week: "Everybody is ready to negotiate, but there are too many psychological problems."

Certainly, neither side seems to have any major moves left to play.

Mr De Benedetti admits: "The die is cast. There is no need to go any further." Yet anything could happen, given the surprise defections that have already take place from the Franco-Belgian camp, led by Paris-based Compagnie Financière de Suez and Groupe AG, the Belgian insurance company.

Indeed, some of their shareholders are still said to be divided over the wisdom of continuing to fight Mr De Benedetti at such huge cost.

The balance of forces in the run-up to the April 14 EGM is tantalisingly close.

Suez and its dozen or so followers claim control of 50.7 per cent of La Générale – assuming all warrants are exercised – while Cerus, Mr De Benedetti's Paris-based financial holding company, and its followers claim 48.9 per cent.

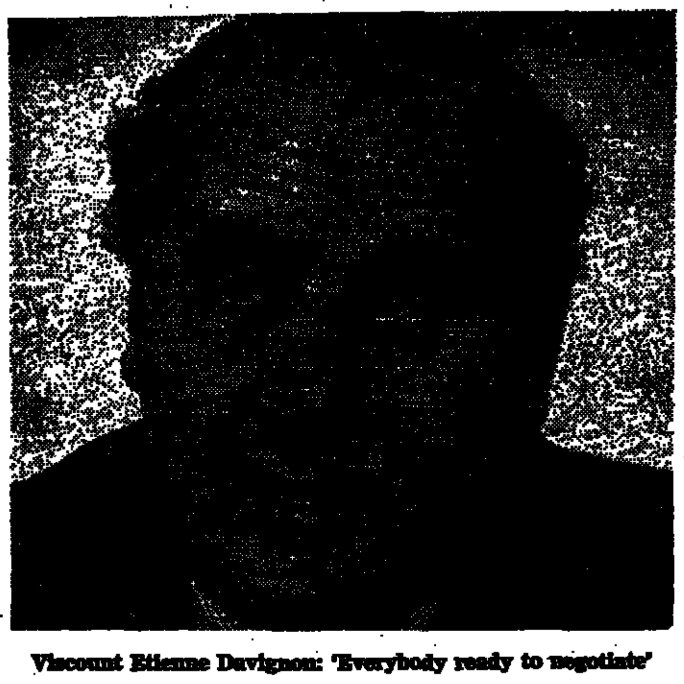
That is the state of play after the failure of Cerus' BFr8,000 per share public offer to pull in enough shares to give Mr De Benedetti a majority.

In an irony that must have caused grim merriment at La Générale, Cerus unwittingly bought half of the new shares from one of its own supporters, tempted by an offer price worth 2.5 times the Belgian company's asset value.

Stock market analysts now reckon there are no uncommitted shareholdings left to bid for. Yet the present split in ownership, with fiercely opposed sides both holding enough shares to veto board decisions, makes La Générale unmanageable.

That is not a situation in which the two camps can hope to get their combined investment – generally estimated at more than BFr100bn ($2.76bn) – to produce an adequate return.

To add to the pressure, both sides are feeling increasingly the burden of their enormous investment in a battle which has run longer and at greater cost than either imagined.



Viscount Etienne Davignon: 'Everybody ready to negotiate'

The first sign of strain came 10 days ago when Suez issued a FFr4.8bn convertible bond, in poor market conditions, to cover its La Générale costs. This was followed days later by Mr De Benedetti's sale of the Buitoni food group for L1,800bn ($1.45bn).

Mr De Benedetti insists the disposal was not intended to beef up his bid, but there is no doubt that the extra cash might at least buy him some time.

So where do the camps go from here?

Suez reckons some kind of negotiation is inevitable in the next fortnight, the only condition being that Mr De Benedetti recognises that he comes to the table as no more than a powerful minority shareholder.

Mr Maurice Lippens, managing director of Groupe AG, Suez's ally, a fiercely independent man who has always tended to distance himself from La Générale, is said to be thinking in terms of seeking an accommodation with Mr De Benedetti.

But whether the Suez camp could inject new life and strategy into La Générale's 1,200 subsidiaries as well as Mr De Benedetti claims he and his lieutenants can is questioned by many analysts.

Suez executives were claiming in Paris just before the weekend that, given control, they could double by 1991 La Générale's net profits from their 1986 level of BFr5.3bn. This, they said, could be performed by eliminating losses – or selling – at three of La Générale's most troublesome subsidiaries, Gechem in chemicals, Acec in electrical engineering and telecommunications, and Fabrique Nationale in armaments.

Putting aside the question of whether the two sides can bear to talk to each other, stockbrokers in Brussels point out the unity of the Suez camp cannot be guaranteed.

It is not clear how strong the agreements are that bind the Franco-Belgian consortium's members.

But Mr De Benedetti is still thought to be working hard at wooing some of the smaller members like Artois, the Belgian brewing group with a 3 per cent stake in La Générale, and Lessius, a small merchant bank acting for Flemish holders which has a stake of just under 1 per cent. These are small but potentially crucial holdings.

Belgian law forbids agreements stipulating how shareholders should vote. Mr Marc de Brouwer, head of research at Petercam, the Brussels stockbrokers, says: "Now that he has sold Buitoni to Nestlé, he can at least afford to wait to see if someone in the Suez-AG camp might walk away."

Another uncertainty is the legal status of the 12m shares that La Générale tried to issue to friendly shareholders in January to dilute Mr De Benedetti's stake.

A Belgian Court of Appeal decision has said this poison pill defence can go ahead, which could lift the Franco-Belgian defenders' stake to 64.5 per cent. Viscount Davignon maintains that the owners of these shares now in the hands of Sodecom, an affiliate of La Générale, which are owned mostly by anti-De Benedetti investors, will vote in a single bloc at the meeting.

Naturally enough, Cerus challenges the Appeal Court decision, itself a reversal of two earlier rulings by the Brussels Commercial Court, and says it will take legal action if the new shares are accepted at the EGM.

To complicate matters still further, Mr André Leysen, the Flemish financier who recently defected from the Suez camp to join Mr De Benedetti, has mounted another court action claiming he has the right to buy 10m of the new shares.

In short, there is no clear road forward. The worst, and most believable outcome, says one Brussels stockbroker, is "that all sides will get into protracted negotiations over what to do next and end up like the Belgian Government – unable to drive anywhere because too many hands are on the steering wheel."

Legrand earnings climb 40%

BY GEORGE GRAHAM IN PARIS

LEGRAND, THE French electrical equipment manufacturer, has reported a 40 per cent increase in net profits last year to FFr457.8m ($80.5m).

A pick-up in housing construction in France, which provides the main market for Legrand's electrical fittings and wirings, helped sales to climb by 5.3 per cent to FFr4.94bn last year.

The group also improved its productivity, boosting gross cash-flow to FFr743.4m, or 15 per cent of turnover, compared with FFr600.5m or 13 per cent in 1986.

Legrand withdrew late last year from the bidding battle for MK Electric of the UK. However, analysts expect the group to continue seeking opportunities for expansion through acquisitions following last year's purchase in the US of Slater Electric.

The company will propose a 12 per cent increase in its dividend to FFr38 per ordinary share and FFr60.80 per preference share.

Legrand pointed out yesterday that, since turnover expanded at a slower rate than earnings, the improvement shown at the bottom of the profit and loss account stemmed from widening margins.

Group cash-flow last year was FFr743m, against FFr600.

Goodman plans Fl 71m offer for Meneba

By Laura Raun in Amsterdam

GOODMAN FIELDER Wattie, the big Australasian foodstuffs group which has a 29.9 per cent stake in Ranks Hovis McDougall of the UK, will make a Fl 71m ($37.7m) public offer for Meneba, the Netherlands' leading flour miller and bakery, before the end of April.

The bid is conditional on at least 95 per cent acceptance, no competing bids arising and the dismantling of Meneba's anti-takeover defences. The bid value represents a premium of about 78 per cent over Meneba's current stock market capitalisation.

The acquisition will take Goodman into the Continental European market. The Dutch company, which is a leading processor of cereal products in the Netherlands, is engaged in flour milling, bread and pastries, stock feeds and poultry processing. One-fifth of its produce is exported.

Goodman said yesterday that "with a view to Europe 1992, it is important to be represented at the core of that market: in the Netherlands. This will undoubtedly provide us with further opportunities to expand our operations."

Sale of loss-making Valeo divisions helps turnround

BY OUR PARIS STAFF

VALEO, THE French motor components group, returned to the black last year with net profits of FFr360m ($63.3m), after a loss of FFr308m in 1986.

The company, now headed by Mr Noel Goutard, greatly reduced its restructuring costs, which accounted for nearly FFr1bn in 1986. The sale of loss-making subsidiaries also helped its return to profit.

Operating profits rose by 92 per cent to FFr969m, with sales up 1.8 per cent to FFr12.37bn. The group's consolidation perimeter, however, changed dramatically, with the exit of ISBA (construction), SAM (foundry), SEUD (industrial equipment), and Allevard (spring steels).

The comparison also excludes the loss-making Soma truck axle business, sold in 1986 to Rockwell of the US. The business contributed a FFr160m exceptional loss to last year's accounts.

Valeo's results include eight months of earnings from the recently acquired Chausson radiators business, but not the Neiman electrical motor components company which was acquired in December.

Total debt was reduced to 0.6 per cent of net assets, compared with 0.9 per cent at the end of 1986.

Forbo to increase payout

BY JOHN WICKS IN ZURICH

FORBO, THE Swiss floor and wall coverings group, plans a SFr52m rights issue in registered shares at SFr800 each and proposes to step up its dividend.

The company said net profits for 1987 had risen by 32 per cent to SFr37.1m ($26.88m) and that the dividend was to be increased from SFr60 to SFr64 per bearer share and from SFr30 to SFr32 per registered share.

At the same time, Forbo will pay an initial SFr16 on its new participation certificates.

Group turnover rose by 32 per cent to SFr1.17bn, partly as a result of acquisitions in West Germany, the US and Switzerland. Adjusting for these and currency factors, sales growth would have been 9 per cent.

Glaverbel posts fourfold increase in net income

BY WILLIAM DAWKINS IN BRUSSELS

GLAVERBEL, THE Belgian glass maker which recently took a 20 per cent stake in AFG Industries of the US, yesterday unveiled a near fourfold increase in net profits for 1987.

The net surplus rose to BFr1.97bn ($56m) on turnover up by 12 per cent to BFr20.56bn. Stronger demand and higher prices were the main external reasons for the improvement, which also reflected the benefits of earlier investments in improved productivity.

Yesterday's results come nearly a year after the group was floated on the Brussels Stock Exchange. During that time, the share price has climbed sharply from its BFr1,850 subscription level to yesterday's BFr3,750.

The board plans to more than double the net dividend, from BFr29 per share to BFr64.

Cash-flow doubled to BFr3.47bn, leaving attributable earnings just over three times higher than the previous year at BFr1.82bn.

Meanwhile, shareholders' funds rose from BFr6.47bn to BFr8.71bn, a result of new capital raised during last year's flotation as well as the improved cash-flow. Financial charges fell from 2.5 per cent of turnover in 1986 to 1.4 per cent last year.

Glaverbel's holding company, Glaverbel SA, reported a 5.4 per cent increase in turnover to BFr16.31bn, and a rise in net profit from BFr298m to BFr1.5bn. Glaverbel said it was expecting another increase in profits and dividends this year.

The company has spent about $156m in building its stake in AFG, which is the second biggest flat glass producer in the US.

INTERNATIONAL COMPANIES AND FINANCE

Haig Simonian on the battle for control of West Germany's biggest newspaper group

Axel Springer gives lawyers a field day

TAKE Mr Leo Kirch, a 60-year-old Munich film magnate, Mr Franz and Mr Frieder Burda, two members of a prominent south German publishing family, and a motley group of inheritors and executors of a dead press baron.

Give them about a quarter each of the shares and assume a hefty dose of mutual antagonism, and the battle which started last week for control of Axel Springer Verlag, West Germany's largest newspaper group, becomes easier to understand.

Add an appreciation of Germany's *Vinkulierte Namensaktien* – registered voting shares – which can be bought, but whose voting rights cannot be used by the purchaser without the company's permission, and all should be clear.

This is the mess that has emerged from the empire built up by the late Mr Axel Springer, one of the most famous names in German newspapers, who died in September 1985.

The group – which includes titles like: Bild Zeitung, the sensationalist mass circulation newspaper; Hör Zu, the weekly TV magazine; and Die Welt, the quality daily – began with a radio magazine in Hamburg in 1946.

It grew into one of Europe's largest newspaper and magazine concerns, with annual sales of almost DM3bn ($1.8bn). But since the early 1980s, both diversification and geographic expansion have been stymied.

Thus, a plan in 1981 to sell a 26 per cent stake to the Burda group, which would later have raised its holding to an overall majority, was turned down by the Federal Cartel Office. Two years later, Burda managed to avoid an antitrust investigation by taking a non-blocking 24.9 per cent.

Mr Springer's motive then, as in 1985 when he floated off 49 per cent of the shares via a private placement, was to guarantee the company's political and editorial direction for the future while injecting outside capital to finance growth into new areas like satellite and cable television.

But Mr Springer, an ultra-conservative whose papers still refer to the neighbouring German Democratic Republic in quotation marks, also took care to put in a series of safety nets. First, his holding company, Axel Springer Verlag für Publizistik, would retain a 26.1 per cent blocking stake. Combined with the 24.9 per cent owned by the Burdas, who he considered politically and commercially acceptable, there would be a 51 per cent majority.

Moreover, the highly successful private placement, which raised some DM550m, involved registered shares only. Thus voting rights for any holding over 0.5 per cent could only be transferred with the company's approval.

Herein lie the roots of the present dispute. Although Mr Kirch bought 10 per cent on flotation and has subsequently gained indirect control over a further 16 per cent through sympathisers, has no seat on the supervisory board.

Quite what Mr Kirch, a reclusive and controversial man, has in mind for Springer remains unclear. But he controls one of the world's biggest feature film libraries. So exploiting Springer's existing direct and indirect stakes in one of Germany's fledgling cable TV channels to provide a captive vehicle must be one obvious attraction, let alone the further development of the group's own TV and video interests.

Last year it looked as though Mr Kirch had struck a deal bringing him closer to his goal. An agreement on working together was reached with the representatives of the Springer estate, led by Mr Bernhard Servatius, an executor who is now chairman of the supervisory board, and Mrs Friede Springer, the founder's widow.

FAMILY interests led by Mrs Friede Springer, widow of Mr Axel Springer (right), have started building up their stake in the Springer company and now hold 27.1 per cent against 26.1 per cent previously, Mrs Springer has told Stern, the news magazine, in an interview released yesterday. Mrs Springer said she had been ready to give Mr Kirch more influence in the group in order to restore calm. However, she had first required him to disclose more about his own assets and he had refused.

The Springer inheritors were worried the company was becoming unmanageable. In particular, the Burdas had grown more independent-minded and had supported Mr Günter Prinz, the group's deputy chief executive, in his long-running feud with Mr Peter Tamm, the head of its managing board. The dispute, an unwelcome and embarrassing distraction, ended last May with Mr Prinz's resignation.

But the verbal accord between Mr Kirch and the trustees proved short-lived, largely on account of a growing awareness that Mr Kirch's plans for the group did not necessarily concur with the trustees own interpretation of upholding the founder's faith.

Hence Mr Kirch's decision to turn to the Burdas, *culminating* in a formal agreement last week to pool their holdings into a majority.

The shareholding arithmetic has yet to be verified by the cartel office, which will lauch an investigation if it thinks competition is at risk.

But the chances of it blocking the deal are slim. Mr Kirch's interests are in film, while the Burdas are no longer involved in the family's substantial publishing activitities, which are now controlled by another brother.

In the meantime, Mr Springer's trustees and inheritors are up in arms. What they can do to stop the Kirch-Burda pact is another matter. The original accord between Mr Springer and the Burda family gave each the right of first refusal to the other's shares in the event of a sale. The lawyers look set to have a field day.

One decisive influence may be the banks. Mr Springer's private placement was organised by Deutsche Bank, whose co-speaker, Mr Wilhelm Christians, still sits on Springer's nine-member supervisory board along with three other individuals originally suggested by the bank. The Burdas *have only two seats, and the* Springer interests three.

Mr Kirch and the Burdas will be able to use their majority to take control only if they can quickly appoint their candidates to the supervisory board. That is by no means a foregone conclusion, unless the existing members, who are appointed for five years, step down – or Mr Kirch and the Burdas manage to raise their stake to the 75 per cent level which would allow them to dismiss the board.

How Mr Christians and the other three independents will react could be decisive. Rumours were already flying in Frankfurt last week about rifts within Deutsche Bank over Mr Christians' role, amid suggestions of horse-trading behind closed doors.

Yet Mr Kirch could have problems too. He has spent heavily to gain influence in Springer, both via his original stake and, indirectly, through the 16 per cent quietly but expensively built up by his allies in the run-up to the October stock market crash.

Springer's share price has dropped appreciably since. Deutsche Genossenschaftsbank, Mr Kirch's bank, claims to be unruffled, pointing to the value of his film contracts as collateral.

The real showdown will come at the company's next supervisory board meeting in mid-April. In the meantime, the phoney war between the antagonists looks set to become steadily more acrimonious.

Tokyo SE refuses listing for News

By Stefan Wagstyl in Tokyo

NEWS CORPORATION, Mr Rupert Murdoch's master company, has been refused a listing on the Tokyo Stock Exchange.

The company has fallen foul of exchange regulations on disclosure. The exchange requires groups applying for a listing to meet minimum profitability requirements both for the consolidated group and the parent company.

There is nothing wrong with Australia-based News Corporation's group record, which reflects its worldwide interests in media and entertainment. But the exchange believes profits for the parent alone in 1985 do not meet its criteria.

For the year to June 1985, the holding company reported less than A$5m (US$3.7m) in net earnings before extraordinary items. Profits the following year jumped to A$94.2m. Consolidated figures, in part reflecting its international activities, were far larger at A$96.1m for 1984-85 and A$242.3m the year after.

Tokyo Stock Exchange officials refused to comment on the case and News executives were not available to respond. But it is understood that the rule was never intended to catch companies as large as News Corporation, which is listed in Australia, London and New York.

The regulation was devised a year ago, after a Japanese company applied for a listing with a parent company track record which excluded the results of a lossmaking subsidiary.

Exchange officials are unlikely to make any swift changes in the rules. However, News Corporation could wait until another financial year is completed at the end of June and the offending 1985 figures can be dropped from the track record.

About 100 foreign companies are listed on the Tokyo Stock Exchange. News Corporation would be the first newspaper group – foreign or domestic – since major Japanese newspapers are privately owned.

News Corporation owns 20.5 per cent of Pearson, parent company of the Financial Times.

Jardine Strategic maiden result

BY DAVID DODWELL IN HONG KONG

JARDINE STRATEGIC Holdings, the recently created Hong Kong investment company that holds substantial stakes in Jardine Matheson and its trading subsidiaries, yesterday reported net earnings after tax of HK$524m (US$67.2m).

No comparable figures were provided since Jardine Securities, the company's predecessor, did not equity-account for its main associated companies – in particular the retail group, Dairy Farm, the Mandarin Oriental hotels side, and the Hongkong Land property group.

Jardine Strategic made an exceptional gain in the year of HK$260m, reflecting its share in Hongkong Land's profits on the disposal of properties and the bulk of its land bank.

The creation of Jardine Strategic was the last stage in a restructuring of Jardine Matheson in the past two years that has played a large part in rescuing the group from near bankruptcy. Jardine Matheson holds a 41 per cent stake in Jardine Strategic, which in turn has a 31 per cent cross-holding. Jardine Strategic also holds the group's controlling stakes in its three main operating subsidiaries – 40 per cent in Dairy Farm, 26 per cent in Hongkong Land and 35 per cent in Mandarin.

●Cathay Pacific Airways was incorrectly described in the Financial Times of March 26 as a subsidiary of Jardine Matheson. Cathay is in fact controlled by Swire Pacific.

Vamgas takeover boosts earnings at Santos

BY OUR FINANCIAL STAFF

SANTOS, the Adelaide-based oil and gas producer, lifted net profits by 41.1 per cent last year to A$125.1m (US$92.3m), partly as a result of its A$201.6m takeover of Vamgas, a fellow participant in the Cooper Basin energy project.

Total income rose to A$607.3m from A$481.7m. The company is planning an expansion overseas in order "to target larger oil discoveries" than were available in onshore Australian prospects. In any event, though, Santos doubled the number of exploration wells drilled last year.

Sir Brian Massy-Greene, chairman, said the outlook was clouded by weak and volatile product prices and a firming Australian dollar. However, costs remained under tight control.

The annual dividend is 19 cents a share against 16 cents, and a one-for-10 scrip issue will qualify for the final 10 cents payout.

John Barham on a change of heart towards debt to equity deals

Brazil a convert to conversion

AT THREE o'clock today, Mr Danilo Ferreira, the Rio de Janeiro stock exchange's official auctioneer, will ceremoniously begin Brazil's first foreign debt auction.

The auction will mark yet another turn in the country's muddled foreign debt policy. Until very recently, Brasilia viewed debt to equity conversion with deep suspicion. "Now," said one weary banker, "the Government has decided that conversion is a good thing after all."

Conversion has long since become commonplace in several of the other Latin American nations with vast debt problems. The process enables lenders to cash in their credits, at a discount, for local currency which they invest in the debtor country.

Many creditors once touted conversion as a miracle cure for Latin America's debt sickness, though it will probably get off to a slow start in Brazil. It is expected to make only a tiny dent on Brazil's $112bn foreign debt; at most, banks are likely to cancel about $2bn of debt a year.

Yet many Brazilian politicians and bureaucrats are grumbling that Mr Mailson da Nobrega, the conservative new Finance Minister, is being soft on the banks and selling out to the International Monetary Fund.

Mr Paulo Ramos, a left-wing member of Congress, says debt conversions are "shameful and pernicious," and will allow foreigners to buy up the country's assets at derisory prices. Mr Ramos is trying to introduce legislation that would ban conversion once and for all.

Brazil's new conversion scheme is broadly similar to those already in operation in Chile and Mexico. Any creditor can sell unwanted Brazilian loans at the auctions. Banks offering the auctioneer the largest discount will win the right to convert their loans.

The central bank is anxious to make the first auction a success, though it has not set a minimum discount this time: instead, it hopes market forces will set the discount. Conversions are limited to $150m every month and half that amount must be invested in development areas in northern Brazil.

The central bank will have six months to approve each operation and release the corresponding cruzados. Subject to a few restrictions, a purchaser bank can invest the money directly in a company of its choice, or in special conversion funds.

Restrictions

These funds, irrigated by money flowing from the debt sales, will buy small stakes in companies quoted on the stock market. Banks and stockbroking firms have already set up 19 conversion funds which they hope will raise capital of $1bn. The funds must keep their capital invested in Brazil for 12 years, although they can remit dividends abroad.

There are some restrictions on equity investments. They cannot, for example, be used to transfer a Brazilian company's ownership abroad. Neither are investments allowed in companies that have repatriated capital in the previous three years. Nor may investments be used to acquire an existing foreign asset, unless the seller reinvests the sale's proceeds in Brazil.

Public sector debt will not be converted at the auctions until operational details are issued later this year.

Executives involved in debt conversion are cautiously optimistic. One banker said: "We think Brazil is at a turning point, where it can either reach political and economic maturity and advance into the 21st century, or it can go backwards."

Most banks are saying they will not commit more than $10m each in the series of auctions of which today's is the first. Last week senior Citibank executives said the bank might not participate in the auction. Other banks will wait to see how large the discounts are before committing larger sums to future auctions.

One banker, although in favour of conversion, has some doubts. He points out that equity investments are riskier than their hard currency deposits at the central bank. These deposits earn a fixed rate of interest, although the banks cannot draw upon them until Brazil solves its foreign debt problem.

Bankers are concerned about inflation, which is rising at a rate of about 20 per cent a month, which means they must work hard to make investments yield real profits. They also worry about the nature of Brazil's stock markets, where the conversion funds will place their investments.

Currently, Brazilian markets are suffering from a shortage of paper. Prices have surged since the beginning of the year as Brazilian brokers have amassed stocks of the type they expect the funds to want. Even so, prices are still low; the Rio de Janeiro exchange says market capitalisation is a mere $18.6bn. Low share prices, meanwhile, are discouraging companies from issuing the new paper which is needed to broaden the market.

The markets are also incestuous. One Brazilian financial specialist said: "Look, the stock market is dominated by a small cabal that operates more on the basis of rumour, gossip and insider information than anything else." To its credit, the Capital Markets Commission has acted to curb abuse. Bankers hope the entry of conversion capital will help modernise the market.

Black market

For all their misgivings, bankers and businessmen say debt conversion is important, since it is one of the few sources of long-term capital available to Brazilian industry. Even so, a $2bn annual inflow of conversion capital will increase investments by just 4 per cent to $55bn.

Meanwhile another, less welcome, consequence of conversion has been the revival of the currency black market. Many speculators are making a quick, if illegal, killing out of debt conversion. They buy discounted Brazilian loans outside the country with black market dollars. The debtor pays the speculator in cruzados, which he uses to buy more black market dollars and realise a hefty profit.

The only problem is that this has forced up the rate for black market dollars, tending to make the racket unprofitable. To the speculators' relief, federal police cracked down on the black market earlier this month, bringing rates down to a profitable level once again.

Link between Nasdaq and Singapore SE under way

BY ROGER MATTHEWS IN SINGAPORE

AFTER SEVERAL postponements, the link between Nasdaq (the national market system of the US National Association of Securities Dealers) and the Singapore Stock Exchange finally got under way yesterday, nearly a year after it was first discussed.

It is the first trans-Pacific link between stock markets and will provide an exchange of closing quotations, last sale, and volume information on 35 Nasdaq stocks.

It is Nasdaq's second link with an overseas market, the first having been initiated with London nearly 12 months ago and which this year has been expanded to over 700 stocks.

For Singapore the link with Sesdaq, its own secondary electronic market which opened last year, is seen as a further step towards its ambition of becoming more of an international financial centre – with the additional attraction of not involving local currency.

Beijer Capital sets up currency options market

BY SARA WEBB IN STOCKHOLM

BEIJER CAPITAL, part of the financial, trading and industrial empire controlled by Mr Anders Wall, the Swedish financier, is setting up a market for currency options together with Fulton Prebon, a Luxembourg-based brokerage, and Stockholms Clearinghus, the clearing house for the SOFE options market.

Beijer Capital said it will run a telephone market in options and forward contracts for US dollars and D-Marks, starting April 15.

Swedish investors and institutions can already use share and interest rate options, and OM, the first options market to set up in Stockholm, had announced plans to start offering currency options.

Beijer Capital said that its currency options would enable Swedish banks and companies with a large foreign currency exposure to hedge. Sweden's currency regulations prevent companies from using such instruments for speculative purposes.

Provisions hit French offshoot of Barclays

By George Graham in Paris

BARCLAYS BANK SA, the French subsidiary of the UK clearing bank, has reported heavy losses for 1987 following its parent company's decision to increase provisions for sovereign debt risks.

The bank lost FFr417.3m ($73.8m) last year, compared with a profit of FFr91.1m in 1986, after making FFr562m of provisions on its sovereign debt book. These provisions were included in the £713m of provisions announced earlier by the Barclays group.

The parent company has now transferred almost all the Third World loan exposure of Barclays Bank SA back to London, and at the same time injected FFr530m of fresh capital into its French subsidiary, which saw its equity resources rise in 1987 from FFr812.12m to FFr924.75m.

The Commission Bancaire, the French banking supervisor, has persuaded a number of subsidiaries of foreign banks to increase their bad debt provisions substantially in order to bring them into line with the average level of provision cover of the French banks.

Commission officials estimate that French banks had set aside provisions averaging little short of 40 per cent of their total loan exposure in problem debtor countries, and most foreign-owned banks established in Paris are now coming closer to this level.

Barclays said yesterday, however, that its 1987 provisions formed part of an overall group policy on sovereign risks, rather than a response to pressure from the commission.

Besides its provisioning effort, Barclays Bank SA saw operating profits halve to FFr138.8m. The fall was due largely to a sharp drop in financial market revenues, to narrower margins on corporate lending and to the cost of investments in the development of the bank's activities.

CME limits on S&P futures made permanent

By Deborah Hargreaves in Chicago

THE CHICAGO Mercantile Exchange yesterday set permanent price limits on its Standard & Poor's 500 stock index futures contract as part of its continuing effort to calm volatility in the wake of October's stock market crash.

Price limits – long resisted by Chicago's exchanges – were introduced on an emergency basis in the feverish markets that followed the crash, and these have now been lowered by the CME and made permanent. The daily limit is set at a 15-point price move for the index futures contract – reduced from the previous 30 points.

These "circuit breakers," suggested by the Brady Commission set up by President Reagan to look into the crash, have the effect of closing the market in periods of volatility – a 15 point move in the S&P 500 is estimated to equal a 100–125 point move in the Dow Jones Industrial Average. But the commission has criticised their introduction without co-ordination between primary markets for securities and markets for derivative products.

The CME's limits have been set to expand and contract with the overall S&P price structure on a monthly basis.

In addition, the exchange has proposed a new "opening limit" which would create a five-point limit for any price move at the opening of the market. The CME says it would co-ordinate this with any imbalance that might occur at the opening of the New York Stock Exchange.

VW issue closes oversubscribed

By Andrew Fisher in Frankfurt

THE ISSUE of nearly 5m shares in Volkswagen, the West German motor group, closed oversubscribed yesterday as the share followed the market down to close barely above the offer price of DM238.

In late London trading, the price slipped below this level. It closed in West Germany at DM239, having earlier been at DM238.20. Dealers said Dresdner Bank, leader of the issuing consortium, had supported the shares. Other German motor stocks fell more sharply.

Enough interest had been shown last week to assure the success of the issue, in which the Federal Government sold its remaining 16 per cent stake in VW to raise some DM1.1bn ($650m). The Government was keen that as many small investors as possible should participate in the issue.

Stronger pound prompts four Eurosterling deals

BY CLARE PEARSON

FOUR BORROWERS tapped the Eurosterling market for a total of £250m yesterday. The bonds were spurred by a combination of attractive financing opportunities for the issuers in the swap market and an improvement in market sentiment as sterling strengthened.

Some of yesterday's issues were believed to have been held over from the end of last week, when the sterling markets were shaken by worse UK trade figures for February than had been expected. For instance, the £100m deal for New Zealand had been rumoured for a few days.

Yesterday's steadier gilt market, helped by a recovery in sterling to about DM3.08 and further falls in share prices, provided a more favourable background, although the new issues market quickly looked overloaded.

But yesterday's bonds must have used up much of the current supply of fixed-rate payers in the swap market, so new issue opportunities will be more limited from now on.

Kleinwort Benson was first off the mark with two deals during the morning, a £100m five-year issue for Industrial Bank of Japan and a £30m extra tranche of an outstanding £100m 9⅛-year bond for the European Investment Bank, with which it will be interchangeable for trading purposes from next month.

Eventually, the bond will form part of a £230m deal, since there is an earlier £100m tranche with which the two extra portions will become interchangeable next November. Kleinwort said this was a deliberate policy on the part of the EIB to create a well-traded, sizeable issue.

Yesterday's 9¼ per cent issue, priced at 101¼, was being offered to investors at a yield of about 12.5 basis points over the comparable gilt. This was in line with the trading level of the earlier tranches.

IBJ's 9⅝ per cent bond, priced at 101⅞ to yield about 35 basis points over the comparable gilt at launch, traded within its total 1⅞ per cent fees at about less 1.85 bid.

New Zealand's £100m 9½ per cent five-year issue, led by S.G. Warburg Securities, met a reserved response. "It's correctly priced but should have come a week ago," said one dealer, noting two other sovereign credits, Swedish Export Credit and Sweden, had both issued five-year bonds last week.

The deal was priced at 101⅞ to yield about 31 basis points over gilts at launch. It was quoted by the lead-manager at less 1⅞ bid, but at lower levels elsewhere.

Last to emerge was Crédit Suisse First Boston's £50m deal for Creditanstalt, the Austrian bank, which dealers said would have been a hard sell in any scenario as it has a longer, seven-year maturity and the borrower's name has limited appeal in this market. The 9⅜ per cent bond, priced at 101½, was bid at less 2 or lower, compared with 1⅞ per cent fees.

MR GED SMITH has joined Bankers Trust International as head of Eurobond primary and secondary market trading and new issues syndication.

Mr Smith, 35, was previously manager of the fixed-income syndicate desk at Prudential-Bache. Mr David Wellborn, his deputy, has taken over this post.

In his new job, Mr Smith will report to Mr Martin Lost, who has overall responsibility for Bankers Trust's Eurobond business.

Two new deals emerged in the Eurodollar sector, despite nervousness in the US Treasury bond market, where longer-dated bonds shed as much as ⅞ percentage points as the dollar fell, though falls in US share prices supported the short end of the market.

Crédit Suisse First Boston's issue for the European Community, maturing in June 1992, had been expected. It was viewed as tightly priced, though not unacceptably so, against a background of thin supply of European sovereign-backed Eurodollar paper recently.

The 8¼ per cent bond, priced at 100.95 to give an initial 43 basis point yield pick-up over US Treasury bonds, was bid at less 1⅝, the level of its fees. Its unusual $101.50m size reflected a specific requirement of the borrower, the lead-manager said.

Late in the day, Union Bank of Switzerland (Securities) announced a $100m two-year 8 per cent bond for Toronto Dominion Bank, priced at 101⅛. The deal was designed to appeal to investors retreating to the short, defensive end of the yield curve.

Hambros Bank led an A$50m three-year 12⅝ per cent bond for Landesbank Schleswig-Holstein Finance, priced at 101⅞. It was bid at less 1⅝, the level of the total commissions.

Daiwa Europe announced a Y10bn deal for Swedbank, split equally into two "bear" and "bull" tranches with redemption amounts linked to the performance of the December 1992 Japanese government bond futures contract. Both five-year tranches pay 7 per cent and are priced at 101⅞.

D-Mark bonds eased by as much as 15 basis points at the longer-end but in low turnover, with many investors inactive ahead of the Easter break.

Deutsche Bank announced an aggressively-priced DM150m seven-year bond for Chrysler Financial Corporation. Dealers noted this was the second tightly priced deal for a US borrower led by Deutsche Bank recently – last week, it launched a deal for Philip Morris.

The 5⅝ per cent bond for Chrysler, priced at 100⅛, yielded about 40 basis points less than comparable D-mark government bonds at launch. It was bid as low as less 2⅝, compared with 2¼ per cent fees.

In Switzerland, prices were unchanged in thin turnover.

A SFr100m six-year private placement for Britannia, the UK building society, announced last week, is being restructured as a public bond issue.

Executives at Britannia, and at Wirtschafts und Privatbank, the lead-manager, were not available for comment yesterday. But it is believed the switch was prompted by the uncovering of an attractive swap opportunity, which will compensate the society for the higher fees payable on a public bond than on a private issue.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on March 28

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7⅞ 92	200	96⅞	97⅛	0	+0⅜	8.47
All Nippon Air 9⅞ 97	100	†97¼	97¾	0	−0¼	9.78
American Brands 8¾ 92	150	99¾	100¼	+0¼	+0¼	8.81
A/S Eksportfinans 7⅞ 93	100	†94¾	95¼	+0¼	0	8.76
A/S Eksportfinans 7¼ 92	150	95⅝	96⅛	+0⅛	−0⅛	8.55
Barc. Bk. Fin. 10¼ 89	200	†103¼	103⅝	0	0	8.02
Belgium 9⅛ 92	400	†101½	102	+0⅛	−0⅛	8.61
British Telecom 7⅝ 96	250	90¼	90¾	+0⅛	−0⅝	9.27
Cal.Natl.Telecom 8½ 93	160	99⅝	100⅛	—	—	8.52
Canada 9 96	1000	100⅜	100⅞	+0⅛	−0⅜	8.88
Canadian Pac 10¼ 93	100	†104½	105½	0	−0¼	9.47
C.C.C.E 7⅛ 91	113	†95⅞	96⅜	0	−0⅛	8.40
C.N.C.A 7¼ 91	150	95⅝	96⅛	−0⅛	−0⅛	8.57
Coca-Cola Ent. 8¼ 90	100	†101⅜	101⅞	0	0	7.42
Credit Lyonnais 9 91	200	101½	102⅛	+0⅛	−0⅛	8.29
Credit National 7⅛ 92	100	95¾	96⅛	+0⅛	−0¼	8.53
Credit National 7¼ 91	150	96⅛	96½	+0⅛	−0¼	8.45
Denmark 7⅛ 92	500	94⅞	95¼	+0⅛	−0⅛	8.67
Denmark 8¼ 91	300	*†100	100	0	0	8.23
E.E.C 7 91	100	95¾	96¼	+0⅛	−0⅛	8.28
E.E.C. 7¼ 93	250	94⅝	95⅜	0	+0⅛	8.53
E.E.C 8¼ 96	100	†94½	95	−0⅛	0	9.17
E.I.B. 7⅝ 93	100	95⅛	95⅝	0	−0⅛	8.67
E.I.B. 9⅜ 97	150	100⅜	100⅞	0	−0⅛	9.26
Elec. De France 9 98	200	97⅝	98⅛	—	—	9.33
Finland 7⅞ 97	200	91⅜	91¾	+0¼	0	9.32
Finland 7½ 93	200	94⅝	95⅛	+0⅛	−0⅛	8.70
Finn.Exp.Cd. 8½ 92	200	99¾	100¼	+0¼	−0⅜	8.50
Ford Motor Cred 11⅛ 90	100	105⅜	105⅞	−0⅛	−0⅛	8.02
Gen Elec Credit 10¼ 00	200	102⅜	102¾	−0⅛	−0⅛	9.88
G.M.A.C. 8 89	250	100⅛	100⅝	−0⅛	0	7.65
G.M.A.C. 8¼ 89	200	100⅜	100⅞	0	0	7.66
Hoesch 8¼ 97	100	†93½	94	0	0	9.31
Italy 9 90	1000	102	102½	+0⅛	−0⅛	7.94
Liberty Mutual 8½ 96	150	*†96⅜	96⅞	0	0	9.13
L.T.C.B of Japan 8 91	100	98⅝	99⅛	+0⅛	−0¼	8.57
L.T.C.B of Japan 8 97	200	90⅛	90⅝	−0¼	−0½	9.66
Merceds-Benz Cd. 8½ 95	100	98¼	98⅝	+0⅛	−0⅛	8.82
Metropolis Tokyo 9½ 93	200	102⅝	103⅛	−0⅛	−0⅛	8.72
Mitsubishi Fin. 7⅞ 93	100	†94¼	94¾	0	−0¼	9.14
Nordic Investbk. 8¼ 93	300	57⅞	58⅜	—	—	23.35
Norway 8¾ 93	500	100¼	100¾	0	−0⅜	8.62
Pepsico Inc 7⅞ 93	200	†95¼	96¼	+1	+0⅞	8.36
Prudential Crp. 8⅞ 94	125	99⅝	99⅞	0	−0⅛	8.84
Qantas Airways 10⅛ 95	140	104⅞	105⅜	−0¼	−0⅝	9.40
Saab Scania 9½ 91	125	†102⅞	103⅜	0	−0⅜	8.23
Saskatchewan 10¼ 92	100	106⅜	107	0	−0½	8.68
State Bk S Aust 9¼ 93	100	100⅝	101⅛	−0⅛	−0⅞	9.01
Swedish Expt.Crd.7¼ 91	100	†96⅛	96⅝	+0⅛	−0¼	8.41
Swed Exp Cred 10 92	100	104½	105¼	0	−0⅞	8.58
Sweden 7 91	250	96¼	96¾	+0⅛	0	8.16
Sweden 7 92	250	†95⅜	95⅞	0	−0⅜	8.36
Sweden 8¾ 96	200	97⅜	97⅞	0	−0½	9.18
Sweden 8½ 92	200	†100½	101	+0¼	−0⅛	8.27
Toyota Mtr. Cred. 9 90	200	†101⅞	102⅜	0	−0¼	8.07
Victorian Rep 11⅛ 92	150	109¼	109¾	+0⅛	−0¼	8.78
World Bank 7 92	300	†95⅝	96⅛	+0⅛	−0⅛	8.29
World Bank 9 97	300	98¾	99¼	+0⅛	−0⅛	9.15
Yasuda Trust Fin 8¾ 93	100	97⅜	97⅞	−0¼	−0¼	9.13

Average price change... On day +0⅛ on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	102⅞	103½	+0⅛	0	5.43
Avis Fin.SVS 5⅞ 92	100	†101¾	102¼	+1	−0⅜	5.30
Bank of Tokyo 5¾ 93	100	†103	103½	0	−0½	4.99
Central BK. Turkey 7 92	200	†104	104½	0	+0⅜	5.89
Degussa Int. 6⅛ 97	200	99⅞	100⅝	−0⅛	−0½	6.08
E.I.B 5½ 98	150	96¼	97	−0⅛	0	5.95
E.I.B 6 97	300	100⅛	100⅞	0	+0⅛	5.92
E.I.B. 6⅛ 96	300	101⅞	102⅛	0	0	5.85
E.I.B. 6⅛ 97	400	100⅝	101⅜	−0⅛	+0⅛	5.98
E.I.B. 6⅞ 95	300	106¼	107	−0½	−0¼	5.77
Euro.Coal& Steel 5⅞ 97	175	†99⅜	99⅞	0	0	5.95
Eurofima 6¼ 96	100	102¼	103	−0⅛	0	5.83
Elec De France 5⅞ 97	300	98⅜	99⅛	0	−0¼	5.92
Forsmark Krtg. 5⅛ 93	200	101⅜	101⅞	0	−0⅛	4.77
I.A.D.B. 6 97	200	98⅝	99⅛	−0⅛	0	6.18
IBJ 5⅞ 92	100	†103½	104	0	0	4.93
Japan Finance 5¾ 97	100	97⅞	98⅛	0	0	6.08
Ireland 6½ 97	300	†101	101½	0	+0¼	6.31
Korea Dev BK 6⅝ 93	100	103	103¾	+0⅛	0	5.84
Malaysia 6¼ 94	150	102⅞	103⅝	+0⅜	−0⅛	5.61
Oesters. Kontbk. 5 93	300	100⅛	100⅞	−0¼	−0⅜	4.88
Portugal 5¾ 92	150	102½	103¼	+0⅛	−0⅛	4.99
Portugal 6⅞ 95	150	102⅝	103⅜	−0⅛	−0½	6.10
Royal Insurance 5½ 92	300	†101	101½	−0⅞	−0⅝	5.15
Statoil 6¼ 97	200	†100¼	100¾	0	−0¼	6.18
Soc Cent Nucleur 7¼ 95	150	105⅜	106⅛	0	+0¼	6.25
Tokyo Elec. Power 6 97	300	†99⅜	99⅞	+0¼	+0⅛	6.04
World BK. 6¼ 97	600	101¾	102½	+0⅛	+0⅛	5.83

Average price change... On day 0 on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5⅜ 96	100	†102½	102¾	0	+0⅜	5.22
Asfinag 5 02	150	†100¾	101	0	+0¼	4.91
Bk. Frgn.Econ. Ussr 5 98	100	†100	100½	0	−0½	4.97
Bayer W/W 2½ 02	250	†97½	97¾	−0¼	−0½	2.70
Bayer. Vrnsbk. Os. 4¾ 98	100	†102¼	102½	+0⅛	+0½	4.45
Elec. De. France 5 07	100	†102	102½	+0½	+0¼	4.82
E.I.B. 4⅛ 97	200	†101¼	101½	−0⅛	+0¼	4.56
E.I.B 4⅜ 97	200	†100½	100¾	+0⅛	+0⅛	4.54
Enso Gutzeit 5 99	100	†100½	100¾	−0½	−0⅝	4.92
Ireland 5 02	150	†97½	97¾	0	+0¼	5.24
Nippon Suis. Ksha. 4⅞ 93	80	†103	103½	−0¼	+0¼	3.91
Occident. Petrol 5¾ 92	100	†103	103¼	+0⅛	0	4.84
Prov.of Manitoba 4¾ 02	200	†103	103½	+0¾	+2⅛	4.32
Prudential Fin. 4¾ 98	200	†101¼	101½	0	−0⅜	4.57
Qantas Airways 4¾ 97	110	†98¾	99	+0¼	+0¼	4.90
SHV Holdings 4¾ 94	100	†101½	102	−0¼	−0¼	4.43
Trans-Can. Pipe 4⅞ 94	100	†101¼	101½	0	+0⅛	4.60
Usf+g. 5½ 96	120	†103¾	104	0	+0⅛	4.89
Victoria Pub.Ath.5¾ 03	118	†103	103¼	−0¼	−0¼	5.07
World Bank 5 02	200	†99½	100	0	−0⅛	5.02

Average price change... On day 0 on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	102⅞	102⅝	0	0	4.77
Belgium 4⅞ 94	45	97⅞	98⅛	0	−0¼	5.01
Canada 4⅞ 92	80	98¾	99	−0⅛	−0⅛	4.67
Elec. De France 5⅛ 94	20	100½	101⅛	−0¼	−0½	4.98
Ireland 5⅛ 93	30	100⅛	100⅝	−0⅛	−0⅝	5.04
Norway 4¾ 92	60	98¼	98½	0	−0¼	4.69
Rep. of Italy 5⅜ 92	150	103¾	104	−0⅛	−0⅛	4.64
Sweden 4⅞ 92	50	98½	98⅞	0	−0⅛	4.73
World Bank 5½ 92	50	103⅜	103½	−0¼	−0¼	4.64

Average price change... On day −0⅛ on week −0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat.BS.10¼ 93 £	50	101⅛	101⅝	+0⅛	0	9.86
Alg. Bk. Ned. 5½ 92 FL	150	99⅞	100¼	+0⅛	0	5.50
Amro Bank 6¼ 92 FL	150	102⅝	103⅛	−0⅛	+0⅛	5.48
Barc. Aust. 14 91 A$	20	103⅛	103⅝	0	−0½	12.62
Barc. Bk. 10¼ 97 £	250	100	100½	0	+0¼	10.19
British Airways 10 98 £	100	98⅛	98⅝	+0⅛	0	10.26
C.I.B.C.Mort.10¼ 93 C$	100	†102⅜	102⅞	+0⅛	+0⅜	10.03
Coop.Ctr.Rabo.6¼ 93 FL	100	102¼	102¾	—	—	5.63
Coop.Ctr.Rabo.6 92 FL	200	101¾	102¼	—	—	5.45
Denmark 7¾ 92 ECU	100	101⅞	102⅜	+0⅛	+0⅜	7.08
DG Fin. Co. 13¾ 90 A$	50	†102¼	103¼	+0⅛	0	12.28
DG Fin. Co. 14 90 A$	75	†102½	103½	0	0	12.37
Deutsche Bank 9⅞ 97 £	75	†99⅞	100⅜	+0⅛	−0⅜	9.85
Deut. Bk Aust 12¾ 95 A$	70	102⅜	102⅞	—	—	12.16
Dresdner fin. 13⅞ 91 A$	100	†104⅞	105⅜	−0⅛	−0⅜	11.80
E.I.B 10¼ 98 C$	130	†99⅞	100⅜	+0⅛	+1¼	10.10
E.I.B 8⅝ 93 LF	1000	†102⅛	103½	0	0	7.85
Euratom 7⅞ 97 ECU	145	97¾	98⅜	+0⅛	−0⅛	7.69
Eurofima 7½ 92 FL	50	106⅛	106¾	+0⅛	−0⅛	5.70
Eurofima 17½ 89 NZ$	50	†103⅞	104¼	0	+0¼	14.57
Fed.Bus.Dv.Bk.9¾ 92 C$	75	†101⅛	101⅝	+0⅛	+0⅞	9.32
Ford Cr.Can.10¼ 93 C$	100	†104¼	104¾	+0⅛	+1	9.54
Gillette Can. 9⅝ 93 £	70	98¼	98¾	+0⅛	+0¼	10.01
G.M.A.C. 9¼ 92 C$	75	99	99⅝	0	+0⅛	9.50
G.M.A.C Aus.Fin.14 90 A$	50	102⅝	103⅛	0	−0⅜	12.40
Halifax BS 10⅝ 97 £	100	100⅛	100½	0	0	10.33
Heineken NV. 6½ 91 FL	150	†104½	105	+0½	+0½	4.67
Imp Chem Inds 10 03 £	100	98⅜	98¾	0	0	10.20
Inv.Industry Int.10 93 £	60	101⅞	102⅜	+0¼	+0¼	9.44
Lloyds Bank 10¼ 98 £	150	98⅝	99⅛	+0⅛	+0⅛	10.43
Mtge.Bk.Den. 6¾ 91 FL	100	103⅛	103⅝	—	—	5.47
Nat.Australia 14 92 A$	50	103½	104⅛	0	−0¼	−0 72
Nat. West.Bk.13¼ 92 A$	50	†103	103½	0	−0⅜	12.12
Nationwide BS 10⅛ 93 £	75	101⅛	101½	0	+0¼	9.79
Ned. Midd. Bank 6 92 FL	150	101	101½	−0⅛	0	5.64
New Zealand 7⅞ 93 ECU	200	100¾	101¼	0	0	7.50
Oesters. Ktbk. 13⅝ 94 A$	75	105½	106	+0⅛	−0¼	12.23
Prudential Fin.9⅞ 07 £	150	91⅛	91½	−0⅛	−0⅜	10.44
S.D.R. 7¾ 95 ECU	90	100⅝	101	+0⅛	−0¼	7.63
World Bank 5¾ 92 FL	100	101⅛	101⅜	−0¼	−0⅛	5.36
World Bank 13⅛ 92 A$	100	†103⅝	104⅛	0	−0⅜	12.12

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alberta 3 93	.0312	100.14	100.23	13/06	8.17
Alliance & Leic. Bld 94 £	.08	99.36	99.41	21/04	9.02
Belgium 91	0	100.11	100.21	22/08	7
Britannia 5 93 £	0⅛	99.68	99.73	8/04	9¼
Chase Manhattan Corp 91	0⅛	99.08	99.33	22/08	6.94
Citicorp 98	†0⅛	95.95	96.20	31/03	6.83
EEC 3 92 DM	†0	100.35	100.40	22/08	3.56
Halifax BS 94 £	.1	99.71	99.76	9/05	9.6
Invt. In Industry 94 £	†0	99.65	99.75	24/05	9.44
Leeds Perm. B/S. 94 £	0⅛	99.89	99.94	13/04	9.12
Midland Bank 01 £	†.1	94.87	95.87	11/05	9.41
Milk Mkt.Brd. 5 93 £	0⅛	99.48	99.54	30/03	9
New Zealand 5 97 £	.07	99.64	99.74	18/05	9.44
New Zealand 5 01	0	98.95	99.06	4/08	6.98
Shearson Lehman Hlds 91	*†0⅛	99.25	99.25	9/05	6.94
United Kingdom 5 92	0	100.06	100.12	7/04	7.12
Woodside Fin. 5¼ 97	0	99.03	99.13	28/04	7.13
Woolwich 5 95 £	†0⅛	99.52	99.57	19/05	9½

Average price change... On day −0.03 on week −0.03

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02	†8/87	62	96⅛	97⅛	−0⅛	42.71
Alco Health 6¼ 01	†7/86	26.25	83½	84½	−1	29.71
American Brands 7¼ 02	9/87	56.7	99¾	100¼	−0½	28.08
American Can Co. 5½ 02	4/87	66.75	67¼	68¼	0	44.11
Ashikaga Bank 2⅛ 02	4/87	967.	141	142⅝	+0⅞	−0.10
Asics 5 92 DM	12/83	438.6	159¼	160¼	0	−3.13
CBS. Inc. 5 02	†4/87	200.	93¼	94¼	−2½	16.10
Fuji Hvy Inds 3 00	8/85	676.	161¾	163½	−2¼	−2.49
Fujitsu 3 99	5/84	1106.	235⅞	236⅞	+1⅛	−2.45
Gunma Bank 2¼ 02	4/87	808.	164⅛	165⅝	−4⅛	−3 02
Kinki-Sogo Bk.2⅞ 03 US	4/88	100.	103	104⅝	−4⅛	−90.89
Land Secs. 6¾ 02 £	6/87	6.72	95⅞	96⅞	−1⅜	24.07
MCA INC 5½ 02 US	9/87	69.62	80⅝	81⅝	−1⅛	31.72
Minolta Camera 2¼ 94DM	2/86	1004.	93¼	95¼	−1	29.36
Mitsui trust 2⅛ 01	10/86	1903.	152½	153⅞	+2⅛	0.20
Next PLC 5¾ 03 £	11/87	4.3	102⅝	103½	0	62.23
Nissei Nipp. Bk. 2⅞ 03 US	4/88	804.	105⅞	107½	+0⅜	−0.32
Omron Tateisi 2⅝ 02	4/87	1310.	223⅛	225	+4⅛	−0.24
Ranks Hovis 4⅞ 03 £	†1/88	3.5	108	109	−0½	16.85
Redland 7¼ 02 £	1/87	5.4	96⅛	97⅛	−0⅝	23 35
Texas Inst. 2⅛ 02 US	9/87	82.87	78¼	79¼	−2⅞	37 40
W.R. Grace 6⅛ 02 US	9/87	42.12	83½	84½	−1⅛	40 14

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month, §above mean rate) for US dollars. C cpn – The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg day - Change on day. Cnv date - First date of conversion into shares. Cnv price - Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem - Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK COMPANY NEWS

Pearson well ahead of forecasts with £152m

BY NIKKI TAIT

Pearson, the publishing, banking and industrial group, yesterday unveiled pre-tax profits up by 25.3 per cent in 1987 to £151.8m. The figure was well ahead of analysts forecasts and the shares gained 15p to 675p.

On the trading front, three of the four main divisions advanced, with the strongest growth coming from the information and entertainment side – in particular from newpapers and magazines, which take in the Financial Times, and from book publishing. The one division to show reduced profits was fine china, where the strength of sterling took a toll on margins.

The £30.7m improvement at the pre-tax level was also helped by a swing from an £11m interest charge in 1986, to £3m-worth of interest earned last year. Exchange rate movements cost the company around £4.3m, but this was roughly countered by a £4m reduction in company pension fund contributions in the UK compared with 1986.

The profits rise is scored on static overall sales of £952.2m (£952.6m). Comparisons, however, are complicated by a number of acquisitions and disposals during the past two years. Adjusting for these, Pearson says that sales would have shown a 6 per cent increase, from £794m to £840m.

Lord Blakenham – reaffirmed commitment to international chain of financial newspaper interests

Earnings per share, meanwhile, increased from 37.4p to 46.7p after a 34 (36.7) per cent tax charge - a rise of 24.9 per cent. Following a final payout of 9p (7p), the total dividend for the year goes up in line, to 15p (12p) per share.

Yesterday, Pearson's chairman Lord Blakenham said that the company was still "in constant touch" over the possible acquisition of a majority interest in the Australian Fairfax business publications – which include the Australian Financial Review.

Prospects for the purchase of leading French business daily newspaper, Les Echos, were also "very good", he added. Completion of the deal has been delayed by the French authorities, but Lord Blakenham said that he believed the acquisition to be "a matter of timing, rather than whether or not it takes place."

The company also reaffirmed its commitment to an "international chain" of financial newspaper interests, and said it was currently considering production possibilities on the Japanese front. Of the company's 20.5 per cent shareholder, Mr Rupert Murdoch's News Corporation, Lord Blakenham had little to add, except to say that contact is "fairly limited".

The largest division remains information and entertainment, where sales and profits are broken down for the first time. The newspaper and magazine interests saw trading profits rise from £34.9m to £40.6m, although sales were virtually unchanged at £255.4m following certain Westminster Press disposals. Some £4.2m of redundancy and related costs at WP were taken above the line.

On the book publishing side, enhanced by New American Library, profits reached £39.5m (£23.4m) on turnover of £367.9m (£275.1m). In the current year, book publishing will also take in US textbook publisher Addison-Wesley, which Pearson acquired for $283m in February. The company expects a positive contribution to earnings in 1988.

Profits from entertainment fell from £12m to £9.3m, but Pearson says that this is more than explained by the disposal of most of its holding in US theme park, Cedar Fair.

On the investment banking side, profits rose from £28.4m to £30.5m. No breakdown is given, but the contribution from Lazard Freres in New York – where Pearson has a 10 per cent profit interest – was down on 1986 following the October crash, with "pride of place" going to record figures from Lazard Freres Paris (where Pearson's interest is similar). Lazard Brothers in London (50 per cent interest) also produced a best-ever contribution, spared both market-making exposure and BP underwriting losses.

On the oil and oil services side, profits are up from £6.5m to £8m, on sales of £137.9m (£109.9m). However, the fine china division fell from £16.5m to £14.8m, despite a modest sales rise to £161.1m (£156.3m). The strength of sterling is blamed for the margin reduction.

Below the line, Pearson enjoys a £141.4m extraordinary profit – comprising mainly a £126m profit on the sale of Bracken House, the Financial Times' headquarters, and the proceeds from Cedar Fair. Gearing, after adding back goodwill on the Addison-Wesley deal, is around 30 per cent; with that written off, it would stand at about 50 per cent.

Housebuilding pushes John Laing to £46m

BY CLAY HARRIS

THE BUOYANT UK housing market helped John Laing, the building and construction group, to raise pre-tax profits by 20 per cent to £45.7m in 1987. A 67 per cent rise in trading profits from Laing's homes division more than offset a fall from building and engineering.

The group said yesterday that it was discussing possible joint ventures with Shimizu, the Japanese contractor, and that it planned to extend its US housebuilding operations, at present limited to California, to the Washington-Baltimore area on the east coast by 1989.

Laing also indicated its willingness to increase borrowing to fund further additions to its housing land bank, which stood at 11,000 plots at year-end. Mr Martin Laing, chairman, said the group could stand gearing as high as 30 per cent.

"We are now becoming more interested in acquisitions but we are happier with joint ventures and organic growth," Mr Laing said. Hostile bids were still out of the question, he added.

Mr Laing said the lower trading surplus of £10.7m (£11.9m) from building and engineering reflected several factors. Lower margin management contracting accounted for nearly half of the division's increase in turnover. Laing was also investing heavily in training, information technology and new plant.

Losses from Spanish contracting deepened, partly as a result of slow payments by clients. However, the dividend flow from the group's interest in toll motorways and profits from a new electronic-information systems subsidiary meant that Laing broke even in Spain in 1987.

Laing sold 3,000 homes in the UK in 1987, at an average price of £58,000 (up from £46,000), and 300 in the US.

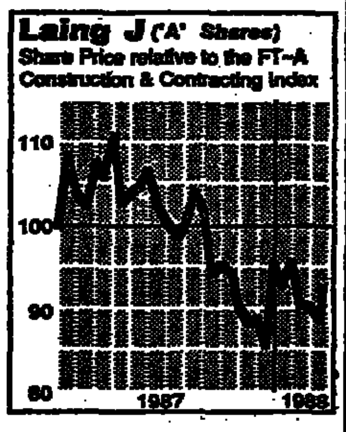
The pre-tax advance from £38.1m was achieved on turnover ahead by 22 per cent to £1.07bn (£878m). The higher spending on land was reflected in a net interest payment of £2.3m (£1.8m received).

By activity – apart from building and engineering – homes achieved a trading surplus of £35.5m (£21.3m), products and trading £1.4m (£500,000) and property development £400,000 (£2.6m). The last area is not expected to make a material contribution until the next major projects, in Belfast and Shrewsbury, are completed in 1990.

On earnings per share up 14 per cent to 34.3p, Laing is to pay a final dividend of 5p (4p), for a total up 23 per cent at 7p (5.67p).

● **comment**

Laing's Japanese initiative – at once opportunistic and defensive – illustrates the slow but steady evolution of this prudent family-controlled company. It never acts on impulse but is willing to take a long view, measured in decades in the case of Spain, where Laing has altered its approach. By concentrating on fewer but larger projects, and retrenching to Madrid and Seville, Laing hopes its political clout will get bills paid a bit quicker. Leaving Spain aside, however, Laing is now largely a housebuilder, and will prosper or suffer with the UK housing market. Its share price does not reflect this yet, standing on a prospective p/e of less than 8, assuming £54m pre-tax. Patience should be rewarded.



Body Shop placing to raise £9.6m net

BY NIKKI TAIT

Body Shop International, the natural beauty products chain, is raising about £9.6m after expenses through a placing of 2.03m shares – 5 per cent of the existing equity.

In addition, three directors – founders Anita and Gordon Roddick and Mr Johannes Oosterwijk – and founder shareholder, Mr Ian McGlinn, are selling another 2.55m shares. Both blocks of shares have been placed with investment clients of McCaughan Dyson Capel Cure, Body Shop's brokers, at 480p.

According to Capel Cure, the bulk of the shares was taken up by ten principal institutions and the remainder by about a dozen others. Yesterday, however, the shares fell by 35p to 475p, 5p below the placing price.

The new money is being raised to finance "foreseeable capital needs" – in particular to expand warehousing and manufacturing capacity. Body Shop has entered a commitment to develop an additional warehouse complex on land available on a 50-year lease close to its existing facility.

The warehouse will extend to 200,000 sq ft, according to the company, and there is scope for developing the site by a further 40,000 sq ft if necessary. The complex will cost about £16m to build and should be ready by August 1989.

Yesterday, Capel Cure said the company had choosen the placing route – without any clawback for existing shareholders – on grounds of cost. The placing price represented a 5.8 per cent discount to yesterday's opening level.

Directors were unavailable to comment on reasons for their own share sales. However, after disposing of 1.28m shares, the Roddicks will retain a 30.9 per cent interest in the enlarged capital; Mr McGlinn, who is selling a similar number, will have an equivalent stake; Mr Oosterwijk is selling just 30,000 shares.

Royal raises top salaries in spite of profits fall

By Nick Bunker

Royal Insurance, the biggest UK-based non-life insurer, gave dramatic pay rises last year to three of its top executives, reflecting attempts by the company to tie the salaries more closely to performance.

Mr Alan Horsford, Royal's group chief executive, saw his pay go up 74 per cent, from £117,365 in 1986 to £203,952 in 1987. The figures appear in Royal's annual report, which was published yesterday.

Two other Royal executives who received between £75,000 and £80,000 each in 1986 were given pay rises which meant that they earned between £135,000 and £145,000 last year. They are not named in the report, but they are presumably Mr Horsford's immediate deputies, Mr Ian Rushton and Mr Geoffrey Kellett, Royal's two group general managers.

The pay rises at Royal are a sign that some of Britain's big composite insurance companies – where executive salaries have often tended to lag behind the rest of the City of London – have seen the need to upgrade remuneration and link it to profits in order to compete more effectively with other financial institutions.

The annual report shows for instance that 44 Royal employees earned more than £50,000, compared with only 23 in 1986.

In another indication of the importance Royal is giving to the issue, the group revealed that its main board now has a special appointments and remuneration committee, headed by Sir John Cuckney, the group chairman.

The annual report shows that Royal's pre-tax profits actually fell last year from £308m to £274m, but this was largely due to last October's UK hurricane.

The figures still represent a huge recovery from the poor results suffered by Royal in the early- to mid-1980s.

Royal did not disclose yesterday to what extent the pay increases were directly tied to performance, but the performance-related element is thought to be substantial.

For instance, the salary packages for the chief executives of Royal's six main operating companies include performance-related bonuses of as much as 40 per cent of their basic salary.

Slough shares down despite profits rise of 25% to £61.8m

BY CLAY HARRIS

Slough Estates, the international property group and Britain's largest developer of industrial estates, increased pre-tax profits by 24.6 per cent to £61.8m in 1987. Net assets per share rose by 26 per cent from 228p to 287p.

Although the results were ahead of most forecasts, Slough shares fell 12p to 263p.

The pre-tax advance from £49.6m in 1986 reflected a sharp rise in profits from trading properties and a first-time contribution from Bredero Properties, the listed trading company of which Slough owns 52 per cent.

On earnings per share ahead by 13 per cent to 15.6p (13.8p), Slough is to pay a final dividend of 4.5p (4p), raising the total to 7.3p (6.5p).

Sir Nigel Mobbs, chairman, said expansion and refocusing of the property portfolio through asset sales and new funding arrangements had put the company in a strong position.

"As a result of property sales, positive property management and improvement, the company's portfolio is now of better quality, age and location than a year ago," Sir Nigel said.

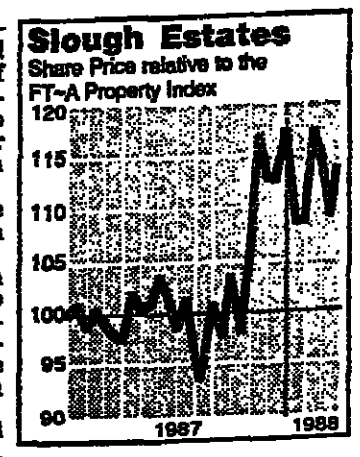
Commercial momentum should continue well into this year, despite the collapse of world stock markets and the weakness of the US dollar, he said.

The increase in net assets was, in part, a result of a 20.8 per cent rise in the underlying valuation of UK properties over a 15-month period. This reflected an improved level of rentals and stronger investment yields, particularly for industrial property in the south-east of England, Slough said.

UK demand for industrial and commercial property was strong throughout 1987, especially in London and the south-east, and there were now signs of improved demand and values in the North and Midlands, Sir Nigel said.

By division, property development contributed operating income of £67.9m (£66.2m), property trading £12m (£1.8m), UK utilities £1.4m (£0.5m) and Canadian merchandising £0.7m (£1.2m). The UK accounted for 79 per cent of the total against 76 per cent in 1986.

Declines in the US, Canadian and Australian dollars reduced pre-tax profits by £2.4m. Bredero accounted for £3.7m of the total.



● **comment**

Slough's contingent tax liability has been halved – a potential benefit of 39p a share – as a result of the new capital gains tax rules. This filip was insufficiently reflected in the price even before the market slide of the past week. The CGT changes does not necessarily augur a big rush of trading selling, but the company at least will feel more free to sell older properties not suitable for redevelopment. Trading profits as a whole should at least maintain the £12m achieved in 1987, although the UK may make a larger contribution. Growth in net assets is unlikely to match the 1987 advance, but should still show a healthy rise to 330p, or perhaps 340p, per share. This assumes that the North American and Australian currencies are near, but not yet at, the bottom against sterling. But the 80 per cent UK weighting of Slough's portfolio looks better than ever in the current climate. At the pre-tax level, profits of £69m put the shares on a prospective p/e of just over 15.

Astra exercises option to buy Oerlikon arm

By David Waller

Astra, the firework and pyrotechnic maker, has decided to exercise its option to buy British Manufacture and Research, the Oerlikon subsidiary which makes cannons and explosives. Accordingly, it has asked for its shares to be suspended until the transaction is completed.

The six-month option was granted at the beginning of December last year when Astra signed a £3m agreement with Oerlikon to establish its own manufacturing facilities at BMARC's plant at Faldingworth, Lincolnshire.

The shares have been suspended pending the issue of listing particulars because of the size of the acquisition. In December, Astra said it anticipated paying about £35m for the company, which compares to its own market capitalisation of £54.6m at the suspension price of 36½p.

TI in £2.5m sale of Serco

TI Group has sold its Serco Corporation subsidiary to its management for £2.5m.

Serco, based in Canada and in Dallas, Texas, makes equipment used in loading bays, including doors and lifting gear called dock levellers. It made a small profit last year on sales of £16m.

Ipeco falls to £1.27m and reduces dividend

A disappointing second half at Ipeco Holdings saw 1987 pre-tax profits fall from £3.02m to £1.27m despite turnover up from £8.69m to £11.05m. Operating profit of £978,000 compared with £2.31m previously.

A final dividend of 1p is recommended, for a total of 2p (2.85p) on earnings per share of 3.36p (7.24p). Ipeco is a leading manufacturer of ergonomically engineered aircraft crew seats. Its directors said the financial support needs of the development businesses, Afriec and Polymeric Composites, had been higher than expected.

The group is strongly placed in the US, and its main challenge in the current year will be contending with exchange rates.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
American Trust	fin	2.25	-	2.15	3.4	3.3
Barrett (Henry)	int	1.1	July 1	-	-	-
Beauford	fin	2.8	-	2.5	4	3.5
Bennett/Fountain	int	0.3†	-	-	-	0.7
Blanchards §	int	nil	-	1.65	-	4.5
Brent Chemicals	fin	4.1	-	3.6	5.2	4.56
Bridport-Gundry	int	1.9	-	1.9	-	7
Canning (W)	fin	4	July 1	2.8	5.3	4
Daniels (S)	fin	2	-	-	3.25	-
Derwent Valley	fin	4.32	-	3.93	5.07†	4.68
EBC Group §	fin	4.78	May 12	3.19*	7*	4.67*
Forward Tech.	fin	1	-	0.7	1	0.7
Ipeco	fin	1	-	1.85	2	2.85
Jacks (William)	fin	0.9	-	0.75	1.7	1.35
Kingston Oil	int	0.693‡	-	-	-	-
Laing (John)	fin	5	-	4*	7	5.67*
Lilleshall	fin	2.25	-	1.5	3	2.25
London & Metrop	fin	3.25†	July 1	2	4.75	2
Pearson	fin	9	June 3	7	15	12
Really Useful	int	4.5	May 23	4.1	-	13.25
Slough Estates	fin	4.5	-	4	7.3†	6.5
Steetley	fin	6	May 27	5*	9.25	7.75*
Watts Blake	fin	4.15	July 4	3.68	6.15	5.3
Whittington	fin	0.2‡	-	0.2	0.2‡	0.2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. $US cents. ‡ For 11 months.

Koppers in white knight talks to fight Beazer

BY RODERICK ORAM IN NEW YORK

Koppers, the US aggregates and chemicals group, has begun talks with third parties on a deal designed to thwart the $1.7bn takeover offer of Beazer, the UK house builder.

The Pittsburgh company declined to give the number or identity of the friendly suitors or whether they were discussing the purchase of all or part of the company. It also rejected as inadequate Beazer's improved offer of $60 a share, saying it would pursue instead a recapitalisation or negotiated transaction with other investors.

Beazer had no immediate comment on Koppers' talks with one or more white knights. However, it said last week it would sue the company if it tried to sell its core building products business.

Koppers gained a small advantage late on Friday when a federal court in California granted a temporary restraining order preventing Beazer from completing a takeover before April 4.

The court decided it needed more time to study the takeover's potential anti-trust implications - both companies have aggregates businesses in southern California. The Justice Department in Washington had already cleared the takeover on condition Beazer sold a Koppers plant in Los Angeles.

Beazer said the injunction would not affect the takeover battle because it expired three days before the closing date for its offer. In the meantime, Beazer believes it can continue to promote its offer. However, Koppers plans to seek a preliminary injunction stopping the bid indefinitely; Beazer would be able to appeal against any ruling.

Norcros demands 4% stake disclosure from Williams

BY CLAY HARRIS

Norcros, the building products and specialist print and packaging group, intends to try to force Williams Holdings to disclose the identity of the buyer to which the industrial conglomerate sold its 4 per cent stake in Norcros last week.

The move by Norcros, which narrowly defeated a takeover bid by Williams last spring, underlines the zeal with which the group pursues any hint that a new predator may be building a stake. Williams sold the shares in a single block outside the market last Tuesday.

Norcros said yesterday it would demand disclosure from Williams under Section 212 of the Companies Act. Normally, this provision is used to discover the beneficial ownership of shares registered under nominee names.

By serving notice on Williams, however, Norcros intends to avoid a delay of six to eight weeks, the time it routinely takes for new names to appear on the share register.

Mr Nigel Rudd, Williams chairman, said yesterday that the purchaser had insisted on secrecy as a condition of the transaction.

Norcros has used Section 212 several times before — to uncover stakes held by Bunzl, the packaging group, in February 1986 and by Coloroll, the home furnishings company, earlier this month. Both companies subsequently sold their shares.

Norcros's close scrutiny of its share register reflects a widely held perception that it is vulnerable to takeover.

In part, this reflects the diversity of its businesses which include H&R Johnson, Europe's largest maker of ceramic tiles; the UBM builders merchant chain; packaging including tear-tapes for cigarette packets; and specialist printing including magnetic-tape tickets for British Rail.

However, the group has also gone through four months without a full-time chief executive after the dismissal of Mr Terry Simpson last November. The vacancy has now been filled by Mr Michael Doherty, former chief executive of Cope Allman International, who takes over next week.

With Norcros shares 2p higher at 404p yesterday, the group has a market value of £506m.

Really Useful rises 14%

By Raymond Snoddy

THE London production of Andrew Lloyd Webber's current hit Phantom of the Opera turned into profit in December and made its first contribution to the Really Useful Group's half year results.

The company yesterday announced a 14 per cent rise in pre-tax profits to £2.9m in the six months to December compared with £2.6m for the same period in 1986 on turnover up from £9.4m to £11.6m.

Apart from the London Phantom recovering its costs in November the Really Useful Group's performance was boosted by the success of productions of Cats in cities as far apart as Melbourne, Stockholm and Budapest.

Mr Keith Turner, the company business and legal director said yesterday that when diversifications into publishing through the acquisition of Aurum Press, now in dispute with Mr Robert Maxwell over Tom Bower's Maxwell : The Outsider, and moves into interactive information systems are stripped out the profit increase rise to more than 27 per cent.

Sales of the UK album of Phantom had boosted the performance of the company's record and music publishing divisions and the record $19m in advance bookings for the Phantom in New York should lead to profits by the end of this year or early next.

There is an interim dividend of 4.5p (4.1p) net per share.

The Really Useful chairman Lord Gowrie said yesterday that "the outlook for the second half of the current financial year remains encouraging and the board continues to seek out exciting opportunities for the group's further expansion."

Philip Coggan profiles AAA, which is ready for the main market

Colly sows seeds for the future

MR KERRY PACKER is a tough business opponent as many people — from the world's cricketing authorities to Mr Robert Holmes a'Court — have found

But earlier this year, the Australian entrepreneur lost out in a takeover bid — not to a fellow Antipodean raider like Sir Ron Brierley, but to a small British private company called Anglo American Agriculture.

AAA's A$2.10 per share offer for Colly Farms, the Australian cotton group, topped Mr Packer's earlier A$1.86 offer and won swift acceptance from Colly's shareholders as well as from its board.

The AAA offer, which valued Colly at A$76m, did not come from out of the blue. Mr John Campbell, a merchant banker with Noble Grossart, was on the board of both companies and was a friend of the Northern Irish Shaw family which had a key 38 per cent stake.

But, nevertheless, the acquisition was quite a coup for a British group which had turnover of only £1m in 1986.

Buoyed by its success, AAA plans to switch from trading under Rule 535 (2) to a main market listing in June, after it completes a £18m private placing designed to fund the acquisition of Colly. Based on the current Rule 535 (2) market price, AAA is capitalised at around £32m.

It will be only the second company to join the plantations sector since the Second World War and the first ever listed company to have its base in "New World" agriculture.

AAA was started in 1981 by its chairman, Mr David Pinsent, who had been a director of the Eastern Produce plantations group in the early 1970s. Eastern briefly prospered with the backing of the Jessel Securities conglomerate, but Mr Pinsent sold out in 1973 just before the crash undermined both the Jessel empire and Eastern's ambitions.

However, Mr Pinsent retained his enthusiasm for the sector and once exchange controls were lifted in 1979 he decided there was scope to build a new plantations group in more politically and economically stable areas of the globe.

"My ambition is to create another Eastern Produce but based on the developed, rather than the third, world" he says.

Anglo American's early base, as its name implies, was in the US. It acquired Californian vineyards in 1981 and has gradually expanded into table grapes, stone fruit and recently citrus products. In addition, AAA has a 38 per cent stake in Doane and Western, a leading US farm management company which also has interests in real estate brokerage.

But it is the Colly acquisition which is the keystone to AAA's future. Cotton prices boomed last year, after slumping to 36 US cents per pound in 1986, and although prices are down from their peaks, the key Cotlook "A" Index is still showing around 66 cents per pound.

The Australian cotton industry may have only a small percentage of the world market (around 5 per cent of world exports) but it is an efficient low-cost producer. Colly's costs are only around 36 US cents per pound and the premium cotton it produces trades at 5-10 cents above the average market price.

Commodity prices are notoriously volatile and the outlook for cotton prices is complicated by US farm subsidies which effectively protect the country's cotton producers from any fall in the world market price.

In the medium term, given the US's 33 per cent share of world cotton exports, that may indicate that there is scope for the cotton price to fall substantially.

But Mr Pinsent believes that there is a limit to the generosity of US taxpayers. In the long-term, Australia's cost advantages, based on lower land and water prices, should stand Colly in good stead.

There is also the chance that Colly could strengthen its market position. Colly originally had an agreement to buy Auscott, Australia's largest cotton company, from Mr Packer who abandoned the deal after the stock market crash.

However, AAA claims that the deal is still legally enforceable and hopes that Mr Packer will come to terms.

If Mr Packer does agree a deal (he made a handsome profit on the sale of his Colly stake) that will leave AAA with 40 per cent of the Australian cotton market. And with only 27,000 acres of Colly's 125,000 acres of land currently planted with cotton and a new A$10m gin recently opened, AAA will have scope to increase production dramatically.

Certainly, Mr Pinsent is confident that there is plenty of potential for profit in the agricultural sector. "Our philosophy is to try to concentrate on niches" he says "and to buy premium properties since the additional margin usually justifies the additional price. When times are hard, it is the marginal producer who gets squeezed out."

China Clays poised for US expansion

BY NIKKI TAIT

English China Clays, the Cornish-based industrial, quarrying and construction group, yesterday announced that it is poised to expand further into the United States with the purchase of the calcium carbonate business of Cyprus Minerals, the US quoted company.

ECC supplied on the briefest details of the proposed acquisition, and says that it does not intend to make any further comment until the deal is signed.

It does, however, say that the size of the acquisition will be comparable with its recent purchase of J. L. Shiely, the Minnesota-based aggregates company. Shiely was acquired for $73m cash in January.

The deal with Cyprus is still dependent on approval from both companies' boards and on certain Government approvals. In addition, negotiations of documentation have yet to be completed. The sale is expected to be concluded in the the second quarter of 1988.

The deal is likely to cover Denver-based Cyprus's calcium carbonate mine and mill at Sylacauga in Alabama, a mill at Carterville, Georgia, and some underdeveloped reserves in Vermont and California.

Cyprus Minerals, which was spun off from Chicago oil company Amoco in 1985, is broadly-spread mining and minerals company

Yesterday's announcement came after the market had closed. ECC shares were 2p lower at 395p.

Edinburgh Oil & Gas cuts loss

Edinburgh Oil & Gas, exploration company, announced a loss of £290,000 before tax for the year to December 31, against a £710,000 loss in 1986. Turnover was down to £239,000 (£350,000) and the loss per share was 2.35p, against losses of 6.51p. As in 1986, no final dividend was proposed.

Assam-Dooars Hldgs advances to £657,000

Assam-Dooars Holdings, investment company, announced pre-tax profits of £657,317 for 1987, compared with £543,130 in 1986. Earnings per share increased to 48.09p (40.37p) and there was an extraordinary debit of £24,908 (£88,862). A final dividend of 10p (9p) for the year was recommended.

West. Dooars rises

Western Dooars Tea Holdings, investment holding company, made profits of £360,820 before tax, against £274,080. Earnings per share were 23.19p (19.68p) and the directors proposed a final dividend of 7p (6p) for the year.

UK COMPANY NEWS

Steetley advances 36% to £60m

BY DAVID WALLER

A STRONG contribution from France and thriving conditions in the UK helped Steetley, the Midlands-based construction materials group, achieve a 36 per cent increase in pre-tax profits and earnings per share for 1987.

Taxable profits rose by £16m to £60.27m, at the upper end of most analysts' expectations. Earnings climbed from 22.57p to 30.86p.

Mr David Donne, chairman, sounded an optimistic note for the current year. "The boom in south-east construction markets has burst out into the West Midlands," he said. "Our customers are confident and our businesses are enjoying quite a momentum."

Profits from France doubled to around £8m. Steetley is the largest supplier of quarried aggregate in France after a spate of acquisitions culminating in January with the £26m purchase of La Meilleraie, and attributed that expansion to organic growth from companies bought in 1986.

According to Mr Donne, the nine companies acquired during 1987 in the UK and the US as well as France – for a total of £45m – made a net contribution to pre-tax profits of only £500,000. The full benefits would show through during the current year, he said.

Accounting for 68 per cent of total operating profits of £66.08m, UK operations advanced £10.11m to £44.97m. Steetley's share of the brick market improved "significantly" – in part because of the acquisition of Lumley Brickworks, but also through further investment in automation.

Market share increased in the group's other UK activities – aggregate, ready-mixed concrete and plain clay tiles.

Group turnover rose £68.2m to £486.63m, a figure which includes £37.92m arising from discontinued activities. Operating profits included £4.04m from businesses sold during the year, the largest of which was the Canadian electrical distribution company.

By product area, the breakdown of profits was as follows: bricks, tiles and aggregates £49.91m (£34.86m); minerals, refractories and other activities £12.11m (£10.28m); discontinued activities £4.04m (£2.79m).

By geographical area, the UK accounted for profits of £44.97m (£34.86m); Canada £10.71m; US £2.49m (£1.16m); Europe and the Middle East £7.87m (£4.40m).

But for unfavourable exchange rate movements, pre-tax profits would have been £1m higher; interest absorbed £5.79m (£3.65m), reflecting record capital expenditure of £83.8m.

The final dividend is 6p making 9.25p (7.75p) for the year, an increase of 19.4 per cent.

London & Metropolitan surges to £9m

BY ANDREW HILL

London & Metropolitan, property developer and trader, increased profits for the year to December 31 to £9.06m before tax, compared with £5.72m in 1986.

Turnover rose to £27.6m (£24.6m) and earnings per share to 16.9p (13.2p).

Mr David Lewis, chief executive, said half of L & M's income in 1987 was from the business park sector, but he emphasised that the company was also strong in retail and office developments.

The group, which was floated on the Stock Exchange in November 1986, aims to broaden its retailing activities and is currently working on the redevelopment of Whiteleys department store in London, which should be complete by Easter 1989.

In January, L & M bought 30 high street shops from Woolworth, the retail chain, and leased them back for 25 years. Mr Lewis said the group had already put under offer, exchanged contracts or completed the sale of nine of the stores. Some will be kept as investments or redeveloped.

L & M is also project manager for the proposed redevelopment of Spitalfields market, just outside the City of London, and is to undertake the development of an Edinburgh conference centre.

Mr Lewis said L & M's project management skills created opportunities for the company and allowed it to retain development profits which might otherwise be lost through poor management.

The proposed final dividend of 3.25p is ahead of most forecasts and makes a total of 4.75p against a single dividend of 2p in 1986.

● **comment**

L & M has £40m in the bank following last year's pre-crash rights issue – yesterday's figures were boosted by £1.38m interest received – promising further expansion this year. Income from office developments fuelled the profits increase in 1986 and business parks were the main contributor last year. With Whiteleys and the Woolworth stores coming through in 1989, the retail area could provide the lion's share of the £13m or £14m L & M is expected to make before tax this year. The company also intends to broaden its geographical spread through a joint venture with a developer of European office sites. London & Edinburgh Trust and Balfour Beatty, L & M's erstwhile parents, still hold about 16.5 per cent each, which they have the option to sell on April 1. Given L & M's growth prospects and the shares – unchanged yesterday at 173p – on a prospective p/e of about 9 they would probably be better hanging on.

W & D buying 61 pubs from Heron

BY LISA WOOD

Wolverhampton & Dudley Breweries is buying 61 public houses from Heron International for an undisclosed sum.

The 61 pubs form part of a package of 210 pubs acquired recently by Heron from Grand Metropolitan, the drinks and hotel group. GrandMet sold a total of 700 pubs, raising about £80m.

The majority of the pubs acquired by W&D lie within the group's established trading area and will increase its representation in Leicestershire, Northamptonshire, Oxfordshire and Greater Manchester.

Mr Roger Hunt, a director of W&D said his group had looked at the 210 pubs when they were put on the market by GrandMet. W&D decided not to bid for them because many were out of its trading area. However, it did identify 60-odd pubs that would fit into its trading plans and these were the ones being bought from Heron.

Mr Hunt said: "The pubs are in good order and although they are low barrelage outlets we believe they will do well with our beer brands."

COMPANY NEWS IN BRIEF

WALTER ALEXANDER is currently reorganising its home products division. This involves an acquisition, a disposal and some management changes. It intends to acquire Carousel Manufacturing Company and DBS Distributors, both based in Fall River, Massachusetts, US, for $5.2m cash.

AMERICAN TRUST produced earnings of 4.61p (4.7p) for year ended January 31 1988 and lifting dividend to 3.4p (3.3p) with final of 2.25p. Scrip issue of 32,740 shares to B holders. Profit £8.15m (£8.52m) before tax £2.81m (£3.03m) and minorities £1.51m (£1.59m). Net asset value 142.1p per share (183.9p).

ARLEY HOLDINGS (maker and importer of photographic equipment): Loss before tax £402,000 (£297,000) after exceptional charges£284,000 (nil). Turnover £7.64m (£5.49m) and interest payments£161,000 (£102,000). The company is paying £850,000 for CSL Computer Services, in which Mr John Ferguson, Arley's chairman, owns 50 per cent.

BEAUFORD GROUP, manufacturer of heavy machine tools and plant and spares, plans to raise the final dividend to 2.8p, making 4p (3.5p) for 1987 after reporting pre-tax profits up from £1.05m to £1.22m. Sales rose 28 per cent from £10.17m to £13.7m.

BRIDPORT GUNDRY, woven products manufacturer, saw a small drop in taxable profits in the half-year to end-March from £442,000 to £423,000 on turnover down to £17.43m (£17.64m). The interim dividend is held at 1.9p on earnings per share of 2.49p (2.7p).

JOHN CROWTHER Group is to dispose of its entire holding in Homfray Carpets Australia Unit Trust to Autocure. Consideration of between A$12m and A$13m will be satisified by the issue to Crowther of a combination of ordinary shares at par and non-voting convertibleredeemable preference shares. Crowther, currently holder of a 15.7 per cent stake, will then become Autocure's major shareholder.

DERWENT VALLEY (property investment) made pre-tax profit of £1.65m in 1987 (£284,000). Earnings were 20p (4.81p) and final dividend 4.3175p for total 5.0675p on increased capital (4.675p). Net property revenue £1.64m (£697,000) and trading profits £791,000 (£88,000). Portfolio continued to show excellent rental and capital growth. Directors confident for current year. Net asset value 585p (252p).

FOSECO MINSEP has acquired the business and trading assets of Beck Diamond Products, a Detroit–based maker of precision diamond products supplying the US and Canada markets. Beck's sales in 1987 were $6m and pre–tax profits $1m.

HOWDEN GROUP is acquiring the Solbern division of Neoax Inc of New Jersey for $6.6m (£3.57m) to be met by the issue of 3.25m shares. These will be placed conditionally with institutional investors at 110p. Solbern manufactures food processing machinery, specialising in bottles and jars.

J ROTHSCHILD HOLDINGS – On March 25, the company purchased for cancellation 250,000 shares at 162p and 200,000 at 163p. After these shares have been cancelled, issued share capital will be286.87m ordinary shares

SOUTHEND PROPERTY's recommended offer for Hampton Trust had received acceptances in respect of 79.54m ordinary (95.42 per cent) by 3pm on March 25. The offer will remain open until further notice.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- AB Electronic, Castle Communications, Federick Cooper, Lloyds Chemists, Murray VenturesTrafford Park Estates.

Finals- Amari, BSG International, Belhaven, Bestwood, Candover Investments, Christies Intl, Cliffords Dairies, Edmond Holdings, Emess, Grampian Holdings, Higgs and Hill, Hollis, Hunting Petroleum Services, John I Jacobs, S. Jerome, Johnston Group, London Scottish and Marine Oil, Lopex Communications, Macfarlane, Marley, Metal Closures, Nestor-BNA, Next, Ocean Transport and Trading, Plasmec, Scottish Heritable Trust, Sherwood Group, UTC, George Wimpey.

FUTURE DATES

Interims-	
Alva Investment Trust	Apr 6
Finals-	
Beacon Group	Mar 31
Bremner	Apr 6
Claylorm Properties	Apr 5
Ealing Electro-Optics	Mar 30
Goal Petroleum	Mar 30
Guardian Royal Exchange	Mar 30
Musterlin	Apr 7
Queens Moat Houses	Apr 7

UK COMPANY NEWS

Second half helps Myson move ahead to £20.6m

BY PHILIP COGGAN

DESPITE minimal turnover growth, preliminary pre-tax profits at Myson, the boiler and radiator group, rose 18.5 per cent to £20.6m last year.

Mr Ray Wheeler and Mr John Salkeld, two ex-GEC executives who have drastically reorganised the company over the past seven years, said that the launch of a new range of Myson products and the reorganisation of Thorn EMI's heating division affected sales in the first half.

However, volumes and market share picked up in the second half and turnover so far in 1988 is higher than in the same period last year.

The industrial division, which manufactures air conditioning and fan equipment, returned to profitability.

The main improvement in profits came from cost savings which helped boost pre-tax margins to 13 per cent from 11 per cent in 1986.

After its financial problems in the early 1980s, Myson resumed dividend payment only in 1984. This year's dividend is being increased by 35 per cent as part of a "catching up" exercise. The final dividend is 3.4p (2.52p) making a total of 5.4p (4p).

Operating profits were £21.7m (£19.5m) on turnover of £158.1m (£157.5m). Net interest payable fell to £1.16m (£2.13m). After tax of £6.77m (£5.98m), earnings per share were 16.7p (13.9p).

Tony Andrews

John Salkeld (left) and Ray Wheeler — drastic reorganisation of the company over the past seven years

● comment

The careful rebuilding work of Messrs Wheeler and Salkeld continues. It takes time to revitalise a group supplying such unexciting products as boilers and radiators; time to get customers to accept new products; time to get them to accept premium prices. Slowly, but surely Myson is achieving the changes - helped, of course, by the buoyancy of the building sector. There are more new products to launch this year which will inevitably limit the extent to which volumes can be increased. But there are still improvements to be made in margins and pre-tax profits could rise to £24.5m this year. That will leave the shares, down 3p to 175p yesterday, on a prospective p/e of just under 9. That is at a discount to the industrials sector; eliminating the discount will probably have to wait for some evidence of long term volume growth.

W. Canning doubles profit to over £6m

DOUBLED PROFITS and earnings were achieved by W. Canning in 1987, and shareholders receive a lift of 1.3p in dividend.

Turnover rose from £72.66m to £95.34m, trading profit from £3.76m to £7.51m, and pre-tax balance to £6.08m (£3.02m). The latter was struck after an exceptional £323,000 relating to relocation costs for this year.

Earnings were 19.1p (9.56p), and the final dividend is 4p for a 5.3p total.

The directors said the new year opened well with increased activity. Although order books were strong, the increase in sterling was putting pressure on profit margins for UK exports and, unless reversed, it might be transmitted into a decline in orders later in the year. More than 60 per cent of profits arose from outside the UK.

Canning was strongly placed, they said, but it was unlikely that earnings per share would show the same growth rate this year.

At the year end cash and quoted securities stood at £4m, equal to some 20 per cent of shareholders' funds. After taking into account substantial tax payments, a record capital expenditure programme and acquisitions already announced, it was expected the company would incur modest borrowings in the current year.

In the year under review the chemicals companies performed strongly, benefitting from improved efficiency and market conditions at home and overseas, the directors reported.

Metal refining achieved profitability after two years of losses, while electronic component distribution showed further growth in France and good profitability in Germany.

Medical Services continued its significant growth in sales and profits, and from September 1 was accounted for as an associate following the reduction in shareholding to 40 per cent.

An extraordinary credit of £4.3m principally comprised gains on the disposal of a majority shareholding in the medical services business and other investments.

GrandMet sells hotel

BY LISA WOOD

Grand Metropolitan, the drinks and hotel group, is selling its 192-room Hotel Meurice in Paris. No details have been given of the price but City analysts suggest a figure of around £30m.

GrandMet owns three hotels in Paris, the 500-room Inter-Continental, the 590-room Grand and the Meurice.

The group said that, "Hotel Meurice does not fit in with our long term strategy for the Inter-Continental chain. The chain is aimed at the international business traveller and hotels need to be big so they can offer the right facilities."

GrandMet also announced yesterday that its brewing subsidiaries are repaying certain loan and debenture stocks. They have a value of about £20m and were built up in the 1970s when the brewing companies were acquired.

Barrett growth continues

STRONG growth continued at Henry Barrett Group, steel buildings, steel services and industrial fastenings company, in the six months to February 29 1988. Pre-tax profits more than doubled from £675,000 to £1.38m on turnover up 60 per cent from £13.02m to £20.84m.

An interim dividend of 1.1p is planned on earnings per share of 4.81p (3.11p). Mr Guy Barrett, chairman, said the performance of Park Pallet, acquired in January, had been a particular feature of the results. Park Pallet makes up the new fourth operating division. It is expected to make a substantial contribution to second half profits. Prospects are also thought to be excellent for the steel services division.

EBC expands to £2.1m

EBC Group, USM-quoted holding company for the construction and allied industries, substantially increased pre-tax profits for 1987 from £1.32m to £2.14m. This was achieved on turnover marginally up from £51.44m to £52.68m.

Net earnings per 50p share rose 52 per cent to 18.64p (12.29p) and the directors have proposed a final dividend — raised 50 per cent through August's one-for-two scrip issue — of 4.78p to raise the total for the year to 7p (4.67p).

Mr David Stoneman, chairman, said: "Our confidence has been confirmed by an excellent result. We have further streamlined the group and strengthened our cash position."

Boddington in BES joint venture move

By Lisa Wood

Boddington Group, Manchester-based brewer, has set up a joint venture company with Cafe Inns, a Business Expansion Scheme development.

The new company, called Leisure Taverns, is a fifty-fifty concern with a joint board. Boddington will contribute retail sites and Cafe Inns will provide the developmental expertise and additional finance.

Leisure Taverns aim to increase the profitability of some marginal retail outlets. The target audience is young adults.

Kingston Oil makes $539,443

Kingston Oil & Gas, the Ohio-based oil and gas production company listed in London, produced pre-tax profits of $539,443 (£291,590) in the first half to end-December 1987, its first period of operation as a public company.

Revenues reached $1.19m, while earnings per share came to 6.78 cents (3.71p). A dividend was declared at 0.69 cents (0.37p).

Kingston has concentrated on buying producing oil and gas properties in Ohio from financially distressed operators. It has £2.5m in cash and aims to continue the purchase of wells in Ohio, where it has its own gas pipelines.

The results include two months contribution from Cavendish Oil & Gas, acquired last year for just over $4m.

Mr Roland Smith, chairman, said production in the first two months of 1988 had exceeded plans. A new drilling programme is expected to commence in May.

BP Australia back in black

By Bruce Jacques in Sydney

BP Australia, a wholly-owned subsidiary of British Petroleum, made a strong return to the black in 1987 thanks to improvements in its traditional oil operations and a turnaround in the previously troubled minerals division.

The company achieved A$100.5m (£39.91m) net profits in the period, compared with a $16m net loss, on a 13 per cent lift in revenue to $2.57bn from $2.27bn. The earnings excluded a $76m write-down of the company's coal assets, reflecting tough times in the Queensland and New South Wales coal industries.

The latest result included an $11m pre-tax contribution from chemical operations and was after non-trading income of $201.3m ($181.3m). The group's interest bill rose from $103.7m to $133.6m while depreciation eased from $112.8m to $83m. Tax took $2.4m ($400,000).

Whittington growth

Strong organic growth has been experienced at Whittington, the Chesterfield-based metal fabricator, and this is reflected in the results for the 11 months to December 31 1987. Pre-tax profits for the period were £501,000 against losses of £133,000 in the previous 12 months.

Group turnover rose from £4.88m to £6.96m, but the cost of sales was higher at £4.71m against £3.51m. The dividend is unchanged at 0.2p, and stated earnings per share were 2.8p (1.7p loss).

Contracts & Tenders

UK COMPANY NEWS

Brent Chemicals lifts profits 24%

BY ANDREW HILL

Brent Chemicals, the diversified speciality chemicals manufacturer, increased pre-tax profits by 24 per cent to £9.11m for 1987, against £7.32m.

Profits were slightly below most expectations, although the £150,000 cost of merging Brent's two principal surface technology subsidiaries to form Ardrox Pyrene was taken above the line.

Tax of 32 per cent (35 per cent) meant earnings per share rose in line with forecasts to 11.5p (10.4p). The final dividend is 4.1p making 5.2p (4.56p).

Sales increased 20 per cent to £70.6m (£58m). Growth in pre-tax profits was held back by a £350,000 shortfall on projected profits in engineering systems, which lost orders following the October crash.

However, Brent said packaging, printed circuit board manufacture and aerospace and defence divisions – which account for 57 per cent of sales – enjoyed strong growth.

Mr Steve Cuthbert, chief executive, said Brent was still underweight in the printed circuit board sector and would be looking for further acquisitions this year.

In the long term Mr Cuthbert said Brent was interested in diversifying into the heavy-duty structural adhesive area.

Brent shares dropped 8p to close at 126p last night.

● comment

Having lopped 13p off Brent's share price at the halfway stage, the City punished the company a second time yesterday for just missing analysts' forecasts. This seems a trifle uncharitable. Despite a dull market for brewing chemicals, reduced orders in the engineering systems division, and the cost of rationalisation at Ardrox Pyrene, gross margins remained steady at 13.2 per cent and profits growth was the same as in 1986. In 1988, however, Brent should be looking to prove that last year's slight setback was only a hiccup. This will probably involve increasing margins towards 15 per cent, the company's ambitious target, and continuing the successful acquisitions policy (two thirds of the sales increase in 1987 came from recent purchases). An increased tax rate will hold back earnings growth, but although it seems unlikely that Brent will shock the market this year, respectable pre-tax profits of about £11m would put the shares on a prospective multiple of about 9.5, a small discount to the sector.

Watts Blake Bearne up 20% to £6.5m

Watts, Blake, Bearne, ball and china clays processor, achieved 20 per cent growth in both pre-tax profits and turnover in 1987. The former rose from £5.46m to £6.52m and the latter from £31.99m to £38.27m.

An increased final dividend of 4.15p is recommended to make 6.15p (5.3p) for the year on earnings per share up 13 per cent at £21.67p.

Mr H. C. Cottrell, chairman, said all of the group's main areas had shown an improved performance during the year.

In West Germany, the Kannenbaeckerland ceramic body preparation plant acquired at the beginning of the year had recorded a profit after overheads in the last quarter, earlier than expected. This plant is to be substantially extended this year at a cost of about DM 6m.

In October 1987 the formalities were completed for a joint venture agreement with China to operate a plant for refining high quality ball clays in Guandong province near Hong Kong.

The directors expect demand for the group's products to continue to grow this year, although trading conditions are expected to become more difficult.

Bennett & Fountain surges to near £3m

The expansion programme at Bennett & Fountain Group, the electrical goods wholesaler and retailer, is bearing fruit and is reflected in the first half figures to end-December 1987.

These showed a surge in turnover from £14.68m to £30.78m and in pre-tax profit from £1.26m to £2.84m.

The wholesale division continued to experience strong demand from all sectors, and consumer demand for the retail side's products also remained buoyant, the directors reported.

Expansion would continue, they said, and they looked forward to a successful outcome for the full year.

Turnover was split as to wholesaling £15.88m (£8.93m) and retailing £14.9m (£5.75m). Operating profit moved up to £3.25m (£1.45m) and interest charges to £409,000 (£189,000).

Earnings worked through to 1.69p (1.12p) and interim dividends are initiated with a payment of 0.3p.

M. Currie Pacific

Net asset value of Martin Currie Pacific Trust stood at 223.3p at end-February 1988 compared with 212.6p a year earlier. Fully diluted the figures are 209.5p and 193.9p respectively. The comparisons have been adjusted.

Net revenue for the year, after tax of £62,000 (£21,000), jumped from £49,000 to £128,000 for earnings per 50p share of 1.07p (0.41p). A single final dividend of 0.4p (0.29p) is proposed.

Blanchards in the red and interim passed

Blanchards, the USM interior designer and decorator, ran into the red in the half year ended December 31 1987, and is passing the interim dividend.

Turnover improved to £4.04m (£3.16m) but there was a pre-tax loss of £857,000, compared with a profit of £254,000. After a tax credit £316,000 (charge £100,000) and net gain on property disposal £495,000, the attributable loss came to £53,000 (profit £145,000), or 0.75p (2.9p profit) per share.

The directors explained that the core design and furnishing business was affected by delays in signing certain Middle East contracts, but benefits were now coming through.

First Architecture group was unable to maintain its level of trading and incurred large and unexpected losses, resulting from management increasing staffing levels and fee projections. They later proved unable to be achieved.

Problems coincided with rationalisation and reorganisation in almost every aspect of the company's activities.

Coffee margins hit Daniels

MARGIN problems in its coffee business was the main cause of the sharp drop in profits in 1987 at S. Daniels, food and beverage products importer and distributor.

The taxable result fell from £1.01m to £572,312 on turnover up slightly from £38.89m to £39.59m. Operating profit, however, fell from £907,756 to £898,988.

The directors said coffee earnings were adversely affected by the abandonment of the International Coffee Organisation price arrangements earlier in the year. Greater price stability experienced in the final quarter was not reflected in the year's results.

A final dividend of 2p is recommended, for a total of 3.25p. Earnings per 5p share were half last time's at 4.73p (9.45).

The directors said the depreciation of the US dollar had also caused falls in the prices of some products in the second half. However, the board aims to ensure that 1987 has been only a temporary setback and that the company will return to growth in 1988.

William Jacks rises 54% but gives warning

William Jacks, overseas trader, motor car distributor and retailer, announced a 54 per cent rise in profits for the year to end-January 1988. From £557,000 last time, taxable profits moved ahead to £858,000. This was on turnover up 27 per cent from £35.79m to £45.53m.

The directors said that 1987 had been a record year for almost all sectors of the motor industry, but that the current year might prove more testing. The sale of the Zambian subsidiary had been completed during the year and the £54,000 profit from its disposal was treated as an extraordinary credit.

Earnings came out at 5.54p (4.24p) and a final dividend of 0.9p (0.75p) was recommended, making a total for the year of 1.7p (1.35p).

Midland proposes scrip dividend

Midland Bank is proposing to introduce a scrip dividend scheme which will enable shareholders to take dividends in the form of new shares instead of cash.

The bank's directors say the scheme will enable shareholders to build up their holdings without incurring dealing costs. The group will also benefit from the retention of cash and a reduction in advance corporation tax.

Shareholders are being asked to approve the scheme at the annual meeting on April 28.

Newey doubled

More than doubled pre-tax profits of £2.2m, compared with £1.21m were announced by Newey Group, West Midlands-based smallware manufacturer, for the 53 weeks to January 3 1988. Turnover moved ahead from £18.58m to £20.19m.

Earnings improved from 46.7p to 83.8p per share after tax of £135,000 (£51,000).

Newey is a wholly-owned subsidiary of William Prym-Werke of West Germany.

Lilleshall profit little changed

Reflecting a sharp fall in exceptional profits on the sale of investment properties, the Lilleshall Company returned little changed pre-tax figures of £679,000 in 1987, against £672,000 previously. Turnover of this steel and fastener distribution concern, rose to £15m (£13.2m) and profits were after the exceptional credits of £37,000 (£339,000). Including the latter, earnings per 10p share were 16.2p (18.3p) fully diluted.

The final dividend of 2.25p makes a total of 3p (2.25p) and not less than 5p is forecast for the current year. A one-for-one scrip issue is proposed.

Merlin profit lifted by character change

Merlin International Properties hoisted pre-tax profits from £244,845 to £1.49m in the six months to December 31 1987. Net earnings per 25p share grew from 1.57p to 4.89p.

The directors said the results reflected the group's character change from a property investor to a property developer, with the sale of a commercial office building and land held as investment properties in the Isle of Man and the development and sale of a 43,300 sq ft non-food superstore at Dartford, Kent.

Negotiations are currently in progress for the disposal of one or more properties which the directors are optimistic will be concluded within the financial year and, if so, this will reflect significantly in the full year's profits.

B Elliott buys

B. Elliott, mechanical and electrical engineering group, has purchased TI Robertson, a specialist engineering company from the TI Group for a total of £2.03m.

TI Roberston, based near Bedford is the UK's leading manufacturer of engineers' keys, a form of tool used widely in precision engineering, and thread cutting and rolling dies.

Ashtead purchase

Ashtead Group, has acquired Power Products (Plant Hire) and Beaver Plant (Scotland) for £1.7m. A £2.43m share placing will meet the cost of purchase and further expansion.

Forward Tech growth

Growth in taxable profits continued in 1987 at Forward Technology Industries, manufacturer of electronics and specialised machinery. Compared with 1986's £2.75m, the figure advanced to £3.53m on turnover up from £34.22m to £36.62m.

Analysis of the profit figure reveals that electronics moved ahead to £3.44m (£2.68m), while sound and vision fell back to £500,000 (£740,000). Central overheads were up at £405,000 (£338,000), though interest payable dropped sharply from £333,000 to £8,000.

Below the line there was an extraordinary credit of £265,000 which related to profit on the sale of a lease.

Earnings advanced to 6.3p (4.6p) and a final dividend of 1p (0.7p) was proposed.

The directors said that the withdrawal of major tape and record manufacturers from UK production would benefit sound and vision's UK market opportunities in 1988.

Abelscot up 92%

Abelscot Group, the graphics, materials and equipment supplier, reported pre-tax profits raised 92 per cent to £935,000 for 1987. This compares with £488,000 in the previous year.

Turnover rose 47 per cent to £5.97m (£4.05m). Earnings per 10p share advanced to 16.1p (12.1p) and a final dividend was proposed of 3.6p to make a total for the year of 4.6p.

SHARE STAKES

CHANGES in company share stakes announced over the past week include:

Manganese Bronze: CH Industrials has raised its stake to 10.41 per cent through the purchase of 1.72m shares. Some 600,000 were from the holding of Mark Dixon, which is reduced to 500,000 shares (3.03 per cent) from 6 per cent.

Lowe Howard-Spink & Bell: Mr T. Bell, deputy chairman, disposed of 75,000 shares at 400p. Mr D. Jones, director, disposed of 20,000 at 400p. Interpublic group acquired 150,000 at 402p, raising its holding to 23.5 per cent.

G.T. Japan Investment Trust: Kuwaiti Investment Office has reduced its holding to 2.95m ordinary (9.46 per cent).

Thomson T-Line: as a result of the issue of shares in respect of the acquisition of Vernons Pools, the Coast group of companies and their clients own 15.03m (9.61 per cent) ordinary and 3.39m convertible preference shares (11.3 per cent).

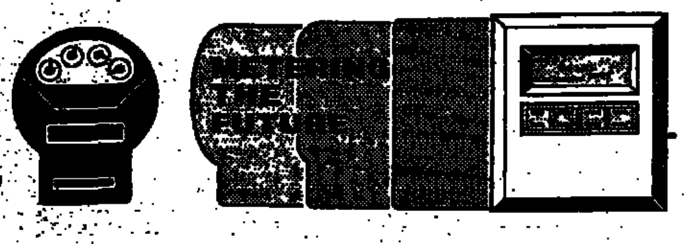
Hugh Mackay: Allied Textile Companies now holds 1.56m ordinary (26.13 per cent).

J Smart Contractors: Mr J. Smart, chairman, and his wife have disposed of 1.42m ordinary shares to Mr J. M. Smart, joint managing director, for a nominal sum. The chairman's interest in the company is now 425,544 shares and Mr J.M. Smart's beneficial interest is 4.67m ordinary.

Bullers: nominees for Armic Corp have acquired 1.16m ordinary (7.38 per cent).

China & Eastern Investment Trust: Aim Overseas is now a beneficial shareholder of 4.63m (27.2 per cent) ordinary shares and 1.07m warrants (31.5 per cent).

UK water clocks in for tariff experiments



In the second part of this series, Clive Cookson examines plans to monitor water used in British homes and a switch from mechanical to electronic gas meters

COMPULSORY water meters will be installed in British homes for the first time over the coming year. By putting in 100,000 trial meters, the water industry is taking the first step towards the likely introduction of 20m household water meters in England and Wales, at an estimated cost of £2bn.

The water industry has to find a new way of charging households for their water once domestic rates are replaced by the community charge or poll tax. The industry wants people to pay for what they actually consume rather than a fee based on the value of their property, and the National Water Metering Trials, which start in 11 areas in April 1989, will test several tariff structures and their impact on demand.

The trials should show how much people will reduce consumption if they have to pay for running their taps and watering their gardens. Some economists predict that demand will fall significantly. If so the industry will not need to build so many new reservoirs, treatment plants and distribution systems. These capital savings could cover the costs of nationwide metering.

The Government is contributing half of the total costs of the trials, currently estimated at about £10m, but has not said whether it will subsidise more widespread water metering. In any case, no decision to introduce compulsory universal metering could be made before 1992, when the Government and industry will have had time to evaluate the results of the trials.

However, it is likely that all homes built after 1990 will have water meters, because new properties will no longer be given a rateable value from that year. These would amount to 200,000 meters annually and would soon dwarf the National Metering Trials.

There will be one extensive trial covering the whole of the Isle of Wight (53,000 households) to find out what problems will arise during large-scale installation. The remaining ten trials of about 1,000 households each are to test tariffs, demand and metering technology. As the map shows, the sites are mainly in the southern half of England, where the climate is drier and water authorities have more incentive to discourage consumption.

One controversial issue is whether to install meters indoors or out. The Government favours indoor meters because they are usually cheaper to install and they would allow consumers to check their consumption more easily.

The water industry, however, generally favours installation in a chamber outdoors. Water authorities could read and maintain meters more easily if they did not require access to people's homes. Most of next year's trials will have outside installations, but David Gadbury, chairman of the Water Metering Co-ordinating Group, says that this does not mean the industry has made an irrevocable decision.

Eventually the indoors/outdoors controversy could be resolved by new developments in electronics which make it possible to communicate with meters in different positions. Manufacturers are beginning to fit meters with electronic "encoders", which relay an accurate reading to another point. This reading can then be displayed visually, loaded into a portable computer, or transmitted by telephone to the water authority's office. Three or four of the trials will include meters with encoders.

Two trials will test "doorstep billing". The person who comes to read the meter will print out a bill on a portable computer and put it through the letter box.

The metering trials will enable the industry to carry out some fascinating experiments with tariffs. Five different structures will be tested:

● The simplest is a "flat rate tariff", similar to that used by gas and electric utilities. The price per unit does not vary with consumption.

● Most trials will have a "rising block tariff" designed to reduce demand. Households pay more per unit as their consumption rises.

● Northumbrian Water will do the reverse in its trial in North Yorkshire. It has excess supplies of water and will operate a "declining block tariff" designed to encourage consumption.

● Two sites will have a "seasonal tariff", charging more in summer than in winter.

● Two other trials will test a "peak demand tariff" which raises charges during the morning and afternoon when consumption is high. For this the meters will be connected to electronic multi-rate units with timers.

Until recently few people in the water industry believed that the Government and water authorities would really push through national metering. Managers at the only significant UK water meter manufacturer, Kent Meters, like to point out that their company was founded on the strength of an unfulfilled promise to meter London water supplies in the 1880s. But now that the trials are definitely going ahead the manufacturers are becoming more enthusiastic.

The peculiarities of British plumbing mean that the vast majority of the world's water meters are not accurate enough for the UK. In British houses the domestic water system is not connected directly to the mains, as in the rest of the world, but is fed by gravity from a water storage tank in the roof. Mains water often flows very slowly into the roof tank, under the control of a ball valve.

The household meters used in most parts of the world contain a simple propeller or turbine driven by the flowing water. They cost as little as £5 each but cannot accurately record the very low rates of flow characteristic of the indirect British plumbing system.

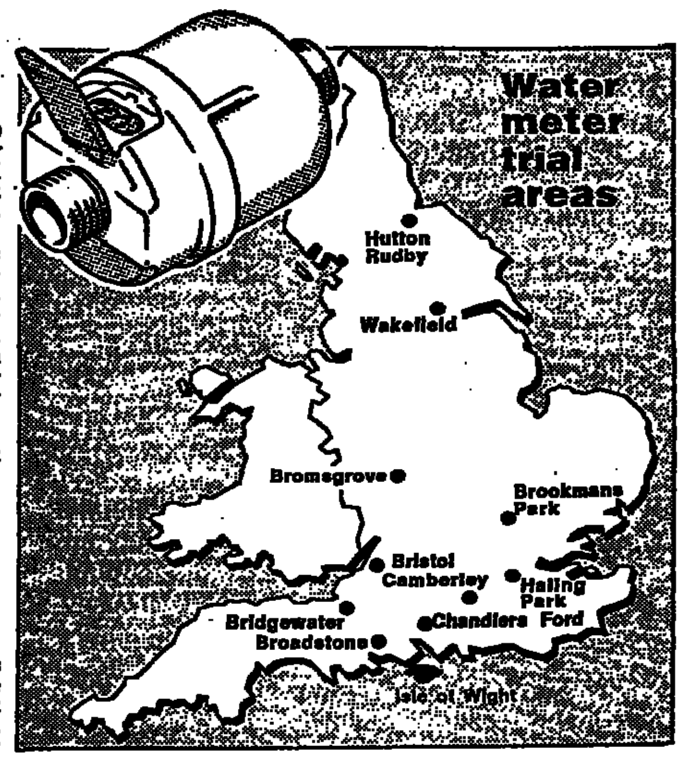
In the type of meter specified by British water authorities — known as a Class D meter and costing about £12 — the water drives a rotary piston. The UK market currently amounts to about 150,000 Class D meters per year, which are supplied to small businesses and households that request metering. Three companies make these meters;

● Kent Meters would be the most obvious beneficiary of widespread water metering in Britain. Kent — a subsidiary of Asea-Brown-Boveri — manufactures more than 1m meters a year in Luton. These are mainly for export but Kent has about 70 per cent of the UK market.

● Socam — part of the St Gobain-Pont a Mousson group — started importing meters from Belgium about five years ago and now has 20 per cent of the UK market. The company's UK agent, Julian Bell, has ambitious expansion plans which could involve a new manufacturing venture.

● Neptune, with meters imported from France, used to be the second force in the UK but has recently fallen behind Socam. Last year Neptune was bought by Schlumberger, the multinational measurement group, which plans to revitalise the company.

A few other overseas manufacturers have expressed interest in the growing UK market, including at least one from Japan. In addition Thorn EMI Flow Measurement, the gas meter manufacturer based in Manchester, is developing an entirely new type of electronic water meter, based on a "fluidic oscillator"; Peter Jepson, the company's technical director, plans to have this in production within three years.



But Martin Hall of the Water Research Centre, Swindon, who is co-ordinating the National Metering Trials, says all meters in the trials are likely to be made by Kent, Socam or Neptune.

Of course a lot more equipment will be required besides the meter itself, and manufacturers of water pipeline and meter installation products are looking forward to the extra business.

One of the most innovative companies in this field is Atlantic Plastics of Cardiff, which has developed a compact glass fibre box to house outdoor meters instead of the traditional concrete chamber with a cast iron lid. The "Atplas" box can be fitted with an electronic read-out, and the meter reader touches a plate on the lid with a "wand" to transmit the reading to his hand-held computer.

British Gas thinks electric: As long as it runs on batteries

ALL TYPES of household meter — gas, electricity and water — use the same basic technology today as 100 years ago. But the one that most obviously shows its Victorian origins is the bulky and obtrusive gas meter.

The great virtue of the traditional mechanical gas meter, which measures flow by the number of times the gas displaces a pair of diaphragms, is that it is accurate over a very wide range, from 3.5 to 200 cubic feet per hour. But it costs more (about £35) than a basic electricity meter (£20) or water meter (£12).

Therefore British Gas, which buys more than 1m meters a year, is strongly motivated to look at different ways of measuring domestic consumption, and the company is actively promoting the development of an entirely new type of meter.

It held a competition last year to design and develop a meter which would be no bigger than a brick and would have an electronic interface with home automation and remote reading systems. Twenty companies from the UK and abroad submitted designs, and this month British Gas announced the four winners which it will support financially.

The choice caused considerable surprise in the industry. British Gas rejected all proposals based on more compact mechanical meters — including one from UGI, the Hanson subsidiary, which currently manufactures half the meters bought by British Gas. The four successful companies put forward more radical projects involving electronic meters and novel measuring techniques. They are:

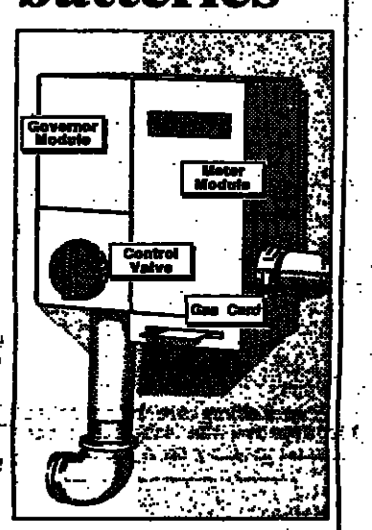
● Thorn EMI Flow Measurement, based in Manchester — the only other manufacturer currently supplying British Gas with domestic meters. Thorn EMI will use the new technique of silicon micro-engineering to produce a flow sensor one-tenth of a millimetre long within a silicon chip. A small fraction of the gas flow is diverted through the sensor, where it deflects a tiny beam of silicon on a cantilever.

● Jeavons Engineering, based at Tipton in the West Midlands — British Gas's main supplier of the governors which are attached to meters to regulate the household gas pressure. Jeavons, a Newman Tonks subsidiary, proposes to make a combined meter and governor. This will measure high flow rates by a "fluidic oscillator", based on what is known as the Coanda effect; the gas flips between two specially designed circuits in the meter with a frequency that depends on its speed of flow. For low flow rates Jeavons will measure gas flow through the regulator, using a "variable orifice" technique.

● FML, a Siemens subsidiary based in Oldham — one of the four UK manufacturers of electricity meters. Its gas meter will use an ultrasonic technique, firing tiny pulses of high-frequency sound through the gas and measuring the extent to which the sound is changed by the gas's speed of flow.

● Michael Gill, a small electronic design and research company in Lymington, Hampshire. It is proposing a different type of ultrasonic meter but still has no manufacturing ambitions; if its project succeeds, British Gas will license another company to manufacture the meter.

One important requirement of the new gas meters is that they must be powered by long-life (five year) batteries. British Gas insists its meters must not take power from electricity mains. Some manufacturers regard this attitude as stubbornness arising from the historic rivalry between the gas and electricity industries, but British Gas believes independence makes commercial sense. Apart from anything else, it avoids the issue of who should pay for electricity consumed by the gas meter.



British Gas modular design for a future household gas installation. It has a brick-sized meter, a governor to regulate pressure, an on-off switch and a slot for an electronic payment card

The winners of the design competition think they have a golden opportunity to seize a share of UGI's UK gas meter sales — estimated at more than £15m a year — and to break into previously untapped export markets. The three manufacturers are spending several million pounds each on their projects. British Gas is now negotiating the terms of financial support and possible commitments to carry out field trials of the meters. Prototypes should be ready for evaluation by the end of 1989, to be followed by trials in the early 1990s and, if all goes well, full-scale production in the mid-1990s.

Jim Brown, managing director of Jeavons, says "high tech" gas meters could double the company's turnover to around £24m a year.

FML's design originates from an ultrasound meter developed by Siemens to measure the flow of hot water in German apartment blocks. According to FML managing director Tim Sheppard, the Siemens group sees the British project as the basis of a move into the international market for gas meters. The meters would be made in Oldham and exported to Europe.

Thorn EMI's motives are more defensive. Foreseeing an end to its lucrative duopoly with UGI of the UK gas meter market, the company plans to use the new technology to increase exports.

But hope remains for the "losers" of the competition. British Gas is encouraging UGI and five other companies which proposed new mechanical meters to continue development work from their own resources.

UGI researchers are also developing an electronic register for meters, which would allow for the distorting effect of temperature variations on gas volume and show the amount actually consumed. The company estimates that a meter installed in a box outside the house, as is now standard practice, underestimates consumption by four per cent because of temperature variations during a typical British year.

Australian nickel miners back at work

By Chris Sherwell in Sydney

SOME 600 mineworkers at Western Mining Corporation's nickel mine in Kambalda, Western Australia, were back at work yesterday after reaching an agreement with the management on Thursday last week.

The dispute involved underground and surface workers at Kambalda who are members of the Australian Workers Union (AWU). They were demanding an assurance from the company that it would not contract out any underground mining work.

Although the company has given no such assurance, the miners agreed to return to work after hearing the recommendations of the Arbitration and Conciliation Commission in Perth, which held two sets of meetings with the company and the AWU.

As a result, workers at Kambalda's surface concentrator plant began returning to work on Friday.

The strike did not involve Western Mining's smelting and refining operations, which are located in Kalgoorlie and near Perth. Stocks at these plants were adequate, so deliveries to market were not immediately affected.

On the basis of production rates in the first half of the financial year, however, an estimated 1,300 tonnes of nickel concentrate production have been lost as a result of the dispute, and this will be difficult to make up in the current half-year.

Western Mining is Australia's largest nickel producer, and the world's third largest.

Nickel and aluminium set fresh price records

BY KENNETH GOODING, MINING CORRESPONDENT

NICKEL AND aluminium prices continued to set records on the London Metal Exchange yesterday. The shortages causing the unprecedented price rises were underlined by news that LME stocks of both materials fell again last week from their already dangerously low levels.

On the nickel front, the rapid price rise is forcing stainless steel producers throughout Europe to impose emergency surcharges. These will be widely felt from April onwards.

Meanwhile, Falconbridge, the Canadian mining group, said it had about 14m lbs (more than 6,000 tonnes) of contained nickel in ferro-nickel stockpiled in the Dominican Republic, where it has been held up by a dispute between the company and the government over export duties.

Falconbridge said it would take about one and a half months to clear the stockpile if the dispute was settled and if the company stuck to its usual shipping arrangements.

The company said yesterday that a ship carrying "a small tonnage" had sailed for Europe on March 23 and that another, with about 450 tonnes of nickel, had left the Dominican Republic for Japan yesterday morning. Negotiations were continuing "in a good atmosphere".

On the LME traders are becoming increasingly nervous that the nickel price will crash down once the dispute in the Dominican Republic, which provides about 5 per cent of the western world's nickel requirements, is settled.

However, Mr Mark Wood, head of the international mining department at Kleinwort Grieveson Securities, suggested that the "downside risk" in the spot price was $4 a lb compared with the $2 to $2.50 price at which nickel was traded on the LME for most of 1987.

Early yesterday the cash price reached a record $23,900 a tonne or $10.84 a lb while the price for nickel to be delivered in three months rose to $19,000 a tonne or $8.62 a lb.

Later there was some profit-taking and the cash price closed at $22,200 a tonne, up $450 from the close on Friday, and the three-month price moved ahead by $150 to $17,900.

The LME said that nickel stocks in its warehouses fell by 150 tonnes last week to 1,788 tonnes, not much above the lowest point on record — 1,302 tonnes in August 1982.

Nickel shortages have been caused mainly by extraordinary demand from stainless steel producers who face record prices for other essential materials such as chrome and are being forced to pass on the extra costs.

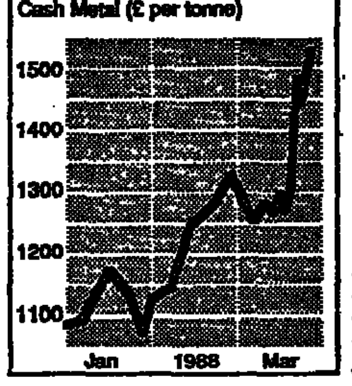
For example, it seems certain that the British Steel Corporation, the biggest user of nickel in the UK, will shortly announce the way in which it will apply surcharges to its steel products.

The UK's castings producers, who have already added about 80p a kilo to alloy and stainless steel castings prices, gave a warning yesterday that the further rise in the cost of nickel, chrome and molybdenum since the beginning of March would lead to another 35p per kilo increase.

Metal Bulletin magazine reported yesterday that French and West Germany stainless steel producers had decided to impose a 10 per cent emergency surcharge on some of their products in April while in Italy, where nickel stocks were lower than elsewhere in Europe, the surcharge would be about 20 per cent.

Aluminium prices are also being underpinned by low stocks and high demand. The price of standard grade aluminium for delivery in three months rose to a record £1,322 on the LME yesterday morning but later eased back to close at £1,312.50, up £11.

Aluminium
Cash Metal (£ per tonne)



LME WAREHOUSE STOCKS (Change during week ended last Friday) tonnes		
Aluminium standard	-1,050	to 20,200
Aluminium high grade	-4,375	to 21,175
Copper Grade A	+625	to 55,325
Lead	+1,525	to 20,600
Nickel	-150	to 1,788
Zinc	-525	to 35,325
Tin	-50	to 18,895
Silver (ozs)	-870,000	to 18,880,000

Less gold used in coins last year

By Kenneth Gooding

ABOUT 300 tonnes of gold (9.4m troy ounces) was used in bullion coins last year compared with the record 327 tonnes (about 10.5m ounces) in 1986, according to research by the Geneva-based World Gold Council.

However, in 1986 demand was thoroughly distorted by the 182 tonnes of gold used by the Japanese in coins commemorating the 60th anniversary of Emperor Hirohito's accession to the throne.

Gold used in coins last year's was 94 per cent ahead of the total for 1985 and 53 per cent higher than in 1984, the Council points out.

It says the boom in demand for gold coins immediately after stock markets crashed last October was probably the most important factor in a strong year for coin sales.

The 1987 offtake was positively stimulated by the launch of the Nugget by the Western Australian mint in May and the introduction of the Britannia bullion coins by the British Royal Mint in October 1987. Other coin features were the introduction of the ECU gold coin by the Belgian Government to popularise the ECU as "European money" and the continuation of a limited Hirohito programme in Japan.

The Soviet Union, the world's second largest gold producer after South Africa, also intends to start minting precious metal coins for the world market in the near future.

Wine heads agenda at EC farm council

BY DAVID BUCHAN IN BRUSSELS

A MAJOR push to complete the European Community's agricultural reform package will come today with EC Agriculture Ministers being pressed to accept a compromise "stabiliser" plan on wine.

After yesterday conducting bilateral talks with individual ministers in an EC council deeply divided on wine, the council's West German presidency is to present its compromise on lower wine distilling prices and higher vine grubbing up premiums to curb chronic overproduction. Last year EC vineyards produced 123m hectolitres, of which 34m were distilled into industrial alcohol.

Wine is certain to be the main topic at a council that may also pronounce on a Greek grievance over olive oil stabilisers and on national aids to pig farms and touch on UK complaints about monetary compensatory amounts (MCAs) on pigmeat.

Mr John MacGregor, the UK minister, said yesterday British pig farmers were currently "under considerable pressure." Negative MCAs, acting as a subsidy on imports into the UK and as a tax on its exports, were unfair and unjustified, and therefore the UK wanted a green pound devaluation on pigmeat.

The issue of most general interest to all EC members — the Commission's proposals to freeze the bulk of farm prices for the 1988-89 marketing year — is likely to get scant attention, in advance of the start of serious price negotiations next month.

The highly-charged debate on wine pits the southern wine producers against the Commission, with most other member states somewhere in between. Currently, producers get 50 per cent of the guide price for the first 10 per cent (around 10m hectolitres) they produce above the level of normal consumption, and 40 per cent thereafter. The Commission has proposed reducing the latter figure progressively, reaching zero by 1991.

Other issues centre on the degree to which grubbing up premiums should be increased and whether the funding for this should be switched from the EC farm guidance fund to the farm guarantee fund.

Drought hits Brazil's soya

A DROUGHT entering its second month in Rio Grande do Sul, Brazil's main soya-producing state, has prompted the governor of the state to declare a state of emergency, reports Reuter from Sao Paulo.

Soyabean and maize crops have been the hardest hit with preliminary estimates of the state's Agriculture Secretariat indicating a 34 per cent loss in soyabeans and 28 per cent in corn.

The secretariat had originally estimated total soyabean production at 5.8m tonnes and maize production at 3.8m tonnes this year.

A secretariat official said the state had calculated a Cr 67bn (£230m) loss from the drought.

Cut-price sales row undermining coffee pact

By Deborah Hargreaves in Chicago

THE FOUNDATIONS of the International Coffee Organisation's agreement on price-support are constantly being eroded by discount sales to countries outside the organisation, according to coffee traders in New York.

This view has not been shaken by a finding last week by the ICO that there was no evidence to support a claim that a Mexican dealer was selling coffee to Eastern Europe with discounts of up to 30 per cent.

"This creates a lot of ill-temper in the market," one coffee trader said, adding that, although discounted deals usually involve only small amounts of coffee, the more they happen, the less likely the US is to ratify another agreement.

As the world's largest coffee consumer, the US has always had an ambivalent attitude towards the ICO's series of price-support pacts. The organisation's investigation into discount coffee sales was instituted at the insistence of its representative from the US.

"It's already a sore point," one trader commented. "The producing countries are treading a thin line as to how much longer they can expect the consumers to keep paying higher prices."

There is a feeling amongst some traders that, with the tide turning against protectionist legislation in the US, the Administration could come under pressure to withdraw from the ICO's price-support regime.

Jamaica agrees bauxite price

JAMAICA AND the Soviet Union have resolved a disagreement over the price of bauxite which the island is selling under a 7-year contract, reports Canute James from Kingston. Shipments, which were suspended since the start of this year, have been resumed.

Government officials said the Soviet Union had already taken delivery of about 80,000 tonnes of ore this month. The contract, which ends in 1990, requires Jamaica to supply 1m tonnes a year.

The Soviets were concerned that the Jamaican Government was increasing the price of the ore too rapidly, and officials say the agreement which has ended the arguments is based on a price close to the $20.93 a tonne which the Government has set for sales of the ore during 1988.

Representatives of the two governments are negotiating a possible increase of shipments to 2m tonnes a year.

China scales down maize exports as domestic demand climbs

BY LYNNE CURRY IN PEKING

CHINA'S INCOME from maize exports is coming under increasing pressure from low international prices and a cutback in shipments forced by rising domestic demand.

In 1985 the coincidence of a bumper crop with high international prices encouraged the Chinese to export aggressively, and overseas sales reached 6.34m tonnes. In 1986 the figure was down to 5.64m tonnes and in 1987 it fell further to about 4m tonnes, agricultural experts estimate. They predict that maize exports are likely to increase only gradually at best in the next few years.

"The Chinese were exporting anything they couldn't nail down in 1985 and 1986," said one western agricultural analyst. "Now, it seems they're retrenching."

All of China's major markets — Japan, the Soviet Union, and South Korea — have been affected by the cutbacks.

Although the Chinese have met all of their delivery obligations the number of long term contracts has been scaled back, according to traders.

Instead of negotiating deals where the sale price is fixed at least three months ahead of delivery, Peking is reported to have been selling more maize on the spot market recently. In 1986, traders said, the China National Cereal, Oil and Foodstuff Import Export Corporation sent representatives to the Canton Trade Fair to negotiate spot rates for 1987. But last year the number of long term contracts declined.

Between January and November 1987 China sold about 1.5m tonnes of maize to Japan, compared with 2.7m tonnes in 1986 and 2.5m tonnes in 1985. The Soviet Union is believed to have bought about 2m tonnes 1985, but since then appears to have taken significantly less. Sales to South Korea are reported to have been halved in 1986, from an estimated 500,000 tonnes in 1985, and to have virtually dried up in 1987.

Because China has no official relations with South Korea, the paperwork for maize sales is normally completed in Hong Kong, while third country vessels load the grain in China and ship it directly to Korean ports.

The cut in exports stems from one simple economic fact — the domestic maize price is higher than the current international price. For example, maize shipped to Japan would currently fetch about US$85-90 per tonne, compared with the $108 a tonne that traders say Peking is paying its farmers.

In addition, the Government no longer buys maize for export from the free markets, where farmers sell their excess production. Those prices are also now uncompetitive with the international market.

At the same time China is facing stronger domestic demand for maize. With rising incomes meat and grain consumption are expanding, and the demand for feed grain for pigs and other livestock is increasing dramatically.

To produce a kilogram of pork requires four to five kilograms of grain, and for beef, the figures are nearly doubled.

"If China intends to increase its output of meat, it will have to produce a lot of grain," one Japanese trader said.

Domestic maize consumption in the 1985-86 crop year was about 57m tonnes, rising to 69m tonnes in the 1986-87 crop year. In 1987-88 it is projected by western observers to reach an 74m tonnes.

Given this growing domestic demand for feed the prospects for a substantial increase in maize exports are slim.

Moreover, in spite of the incentives offered to farmers to grow more grain, the total planted acreage for all grains has fallen over the last decade from 120.58m hectares in 1977 to 110.96m ha in 1986, according to statistics from the China Agriculture Yearbook.

The arable land area in China has decreased because of droughts and floods and a government policy during the cultural revolution that exacerbated existing poor soil conditions. Trees were chopped down and grass uprooted as part of an anti-bourgeois campaign.

Peking has since implemented a reforestation programme but it will be years before any real improvement is seen, traders say.

Although expanding the arable area would present difficulties agronomists point out that grain production could be increased with more multiple cropping, use of better seeds and more fertiliser, and improved irrigation.

"There isn't much area to expand, but the Chinese are banking on their ability to increase production on improved yields," said one western analyst.

Figures compiled by foreign observers show that maize production is forecast to increase to an estimated 74m to 76m tonnes in 1987 from 71.1m in 1986.

Even with this expected growth, however, analysts believe that China is likely to continue to have to import maize, largely because of its inadequate infrastructure. The grain is primarily harvested in the northern provinces of Jilin, Shandong, Henan, Hebei, Heilongjiang, and Liaoning, but few roads and a shortage of rail cars make moving the grain south difficult and expensive.

Although some maize is transported by ship down the coast, when the international price is low, it is cheaper to import the grain than to haul it by rail or truck to Southern China.

China's maize imports are expected to increase from 374,000 tonnes in the crop year of 1985-86 to about 2m tonnes in 1987-88. In 1986-87 it imported about 1.5m tonnes.

As long as international maize prices remain depressed, experts believe Chinese imports will increase as exports decline, even though such a trend will affect Peking's efforts to earn foreign exchange.

"If the international market price recovers, China can earn more foreign currency if it exports," said one Japanese trader. "But it can't expand its exports dramatically because domestic demand is continually increasing."

International sugar pact comes into force

By David Blackwell

THE INTERNATIONAL SUGAR Agreement, which was due to come into operation on January 1, has finally come into force following a meeting at the end of last week under the auspices of the United Nations.

The agreement, which does not have any market stabilisation arrangements, was negotiated in September last year. Its introduction has been held up because of delayed ratifications by several leading exporting and importing nations.

Nine importing countries and 30 exporters, including the EC, Australia and Cuba, signed the agreement. It will run until the end of 1990, with the option of two years' extension.

The agreement exists to provide consultation and statistical information, but hopes to start negotiations which could lead to the introduction of a market stabilisation mechanism.

WORLD COMMODITIES PRICES

LONDON MARKETS

Zinc prices collapsed yesterday after touching 13½-year dollar highs in the morning. The 3-month price closed at £549.50, down £34 on Friday's close. Traders said the premium over European producer price had become excessive. Cocoa prices fell sharply, reflecting a similar decline in New York. The second position futures contract closed at £925 a tonne, down from £958 on Friday. The fall marked the return to dominance of bearish fundamentals in the market after last week's £35-a-tonne improvement in the price. Dealers said the market may have been further unsettled by a report from Abidjan which quoted local traders and analysis saying it might be only a matter of time before the Ivory Coast has to cut the cocoa support prices currently paid to farmers. The Biffex dry freight futures contract continued the decline which set in last week, with the July contract shedding a further 15 points to 1,510.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.00-4.10w	+0.15
Brent Blend	$15.60-5.70y	+0.25
W.T.I.(1 pm est)	$17.05-7.10w	+0.20
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$167-169	+1.5
Gas Oil (Soviet)	$139-141	
Heavy Fuel Oil	$72-74	
Naphtha	$140-143	+2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$454.25	+2.25
Silver (per troy oz)♣	664c	-1
Platinum (per troy oz)	$508.85	+1.35
Palladium (per troy oz)	$123.50	+0.25
Aluminium (free market)	$2860	+140
Copper (US Producer)	119-122¼c	+2½
Lead (US Producer)	35.5c	
Nickel (free market)	$10.7	+0.6
Tin (European free market)	£3710	-50
Tin (Kuala Lumpur market)	17.25r	-0.09
Tin (New York)	318.5c	-0.5
Zinc (Euro. Prod. Price)	$950	
Zinc (US Prime Western)	51⅛c	
Cattle (live weight)†	109.47p	-0.14*
Sheep (dead weight)†	202.12p	+11.53*
Pigs (live weight)†	68.85p	-3.01*
London daily sugar (raw)	$233.0s	+1.6
London daily sugar (white)	$240.0s	+2.5
Tate and Lyle export price	£232.5	
Barley (English feed)	£109y	
Maize (US No. 3 yellow)	£133.5y	
Wheat (US Dark Northern)	£92.5e	+1.0
Rubber (spot)♥	63.00p	
Rubber (May) ♥	67.00p	
Rubber (June) ♥	67.25p	
Rubber (KL RSS No 1 Mar)	290my	+2
Coconut oil (Philippines)§	$515e	+15
Palm Oil (Malaysian)§	$400u	+20
Copra (Philippines)§	$345y	
Soyabeans (US)	£156.0	-0.5
Cotton "A" index	68.05c	-0.40
Wooltops (64s Super)	600p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-May. u-Apr/Sep. x-Apr/Jun. y-Apr. t-Jun/Jul. s-Apr/May.†Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian/Singapore cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Mar	916	945	
May	925	958	957 924
Jly	943	974	971 941
Sep	963	992	989 960
Dec	987	1011	1010 984
Mar	1012	1034	1023 1009
May	1028	1052	1045 1028

Turnover: 3743 (4715) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for March 25 : 1243.01 (1234.88) .10 day average for March 28 : 1213.87 (1213.91).

COFFEE £/tonne

	Close	Previous	High/Low
Mar	1115	1112	1115 1105
May	1137	1141	1145 1134
Jly	1165	1167	1170 1157
Sep	1190	1188	1193 1180
Nov	1210	1212	1214 1202
Jan	1235	1234	1235 1223
Mar	1260	1255	

Turnover: 1865 (2945) lots of 5 tonnes
ICO indicator prices (US cents per pound) for March 25: Comp. daily 1979 117.12 (116.30); 15 day average 117.56 (117.60).

SUGAR $ per tonne

Raw	Close	Previous	High/Low
May	199.40	200.20	200.80 197.40
Aug	198.40	198.20	199.60 196.60
Oct	196.40	199.00	199.20 195.60
Dec	197.00	198.00	196.00
Mar	195.40	197.80	198.00 195.00
May	197.80	198.40	198.40

White	Close	Previous	High/Low
May	238.50	239.00	240.00 237.00
Aug	239.50	239.50	241.00 237.50
Oct	238.00	238.00	239.50 238.50
Dec	241.00	238.00	
Mar	241.00	240.20	241.00 238.00
May	243.50	241.00	
Aug	245.00	246.00	

Turnover: Raw 1368 (2835)lots of 50 tonnes; White 804 (1681).
Paris- White (FFr per tonne): May 1348, Aug 1358, Oct 1355, Dec 1360, Mar 1375, May 1390

GAS OIL $/tonne

	Close	Previous	High/Low
Apr	138.50	137.75	139.50 138.00
May	136.00	135.00	137.00 135.25
Jun	136.00	135.50	136.50 135.00
Jul	135.50	136.00	136.50 135.50

Turnover: 3040 (4745) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low
May	104.15	104.15	104.70 104.00
Jly	106.60	106.40	107.05 106.50
Sep	100.80	101.20	101.10 100.50
Nov	102.30	102.80	103.00 102.30
Jan	104.60	105.05	104.70 104.60
Mar	106.40	106.85	106.40

Barley	Close	Previous	High/Low
May	104.15	104.20	104.50 104.15
Sep	97.85	97.85	97.85
Nov	100.60	100.80	100.60
Jan	102.75	102.85	102.75
Mar	104.50	104.60	104.50

Turnover: Wheat 166 (122) , Barley 21 (13) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 0 tonne
Cash	2670-80	2725-45		2655-65		
3 months	2450-60	2390-410	2455/2445	2445-65	2435-55	3,878 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 12,650 tonne
Cash	1525-30	1495-500	1550/1535	1545-50		
3 months	1310-5	1301-2	1323/1309	1322-3	1310-1	45,558 lots
Copper, Grade A (£ per tonne)						Ring turnover 23,375 tonne
Cash	1300-2	1344-5	1326/1321	1320-1		
3 months	1220.5-1	1258-9	1243/1215	1236-40	1226-9	69,595 lots
Copper, Standard (£ per tonne)						Ring turnover 150 tonne
Cash	1255-65	1295-305		1280-5		
3 months	1180-90	1225-35	1205	1205-10		13 lots
Silver (US cents/fine ounce)						Ring turnover 20,000 ozs
Cash	659-62	661-4	661	661-1.1		
3 months	670-3	672-5		672-5	670-5	672 lots
Lead (£ per tonne)						Ring turnover 5,975 tonne
Cash	350-2	353-4	354	353-4		
3 months	338-9	336.5-7	345/338	340-1	338-40	10,701 lots
Nickel ($ per tonne)						Ring turnover 930 tonne
Cash	22000-400	21500-2000	23900/21700	22800-900		
3 months	17800-8000	17700-50	19000/17700	18825-50	17800-700	8,760 lots
Zinc (£ per tonne)						Ring turnover 21,888 tonne
Cash	568-71	605-7	605	600-3		
3 months	549-50	583-4	590/546	579-80	580-1	15,874 lots

POTATOES £/tonne

	Close	Previous	High/Low
Apr	121.5	128.7	128.0 120.0
May	127.0	130.0	120.0 125.8
Nov	92.0	90.5	92.5 92.0
Feb	103.0	106.0	
Apr	138.0	137.5	139.0 137.0

Turnover: 885 (1793) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Apr	131.50	131.50	
Jun	127.50	128.50	
Aug	126.00	128.50	126.00
Oct	126.50	127.00	126.50
Dec	129.80	131.00	

Turnover: 30 (151) lots of 100 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Apr	1630.5	1655.0	1645.0 1630.5
Jly	1510.0	1525.0	1520.0 1490.0
Oct	1546.0	1555.0	1546.0 1534.0
Jan	1545.0	1570.0	1545.0
Apr	1555.0	1610.0	1585.0 1555.0
BFI	1641.5	1645.0	

Turnover: 281 (667)

JUTE
At this week's tea auction there were 27,376 packages on offer including 6,600 offshore, reports the Tea Brokers Association. Demand strengthened further. The reduced quantity of Assams on offer met good competition and firm to dearer rates. Bangladesh teas were well supported and often dearer. Bright liquoring and medium East Africans came to a dearer market but plainer sorts tended easier, particularly dusts. Central Africans followed a similar trend. Ceylons met a good demand at firm rates although prices were generally a little lower towards the close. Offshore teas sold quite readily with mediums firm but prices for the better Kenya descriptions lower by some 5p. Quotations: quality NQ (same), medium 118p (same), low medium 92p (same).

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	454-454½	244½-245
Opening	453½-454	245-245½
Morning fix	453.1	244.894
Afternoon fix	453.9	244.954
Day's high	454¼-454¾	
Day's low	453-453½	

Coins	$ price	£ equivalent
US Eagle	467½-472½	252-255
Mapleleaf	467½-472½	252-255
Britannia	467½-472½	252-255
Krugerrand	452¾-455¾	244-246
1/2 Krug	236-245	128⅝-133⅛
1/4 Krug	117-125	63⅛-68⅛
Angel	464-469	252⅞-255⅝
1/10 Angel	46-51	25½-27¾
New Sov.	107-108	57½-58¼
Old Sov.	107-108½	57½-58½
Noble Plat	533⅛-528⅞	284-287⅞

Silver fix	p/fine oz	US cts equiv
Spot	358.70	665.00
3 months	366.60	676.55
6 months	374.65	688.45
12 months	390.70	712.85

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	July	May	July
2350				180
2600		128		
Aluminium (99.5%)	**Calls**		**Puts**	
2350		172		
2600		120		
Copper (Grade A)	**Calls**		**Puts**	
2200				180
2350		125		

India's diamond industry back on growth course

BY R.C.MURTHY IN BOMBAY

INDIA'S DIAMOND industry is back on its growth course following a brief setback resulting from last October's stock markets crash. The main problem now, however, is to upgrade supplies of rough stones so that the upward momentum can be kept going.

The post-crash hiccup was partly self-inflicted. Concern about the solvency of importers prompted Indian exporters of cut and polished stones temporarily to suspend the credit facilities on which the bulk of their sales are traditionally based. Customers in the US, Japan and Hong Kong are usually allowed 30 to 90 days' grace for payment and those countires account for nearly two thirds of India's exports.

That cautious policy resulted in a slowing of the growth rate, but it still remained pretty impressive.

In 1986 a record 40 per cent surge had put India on top of the diamond export league. Last year, however, although the country's sales were up by another quarter to Rs 22.57bn (£940m), it had to surrender the top spot to Israel.

India was not alone in misjudging the impact of the worldwide markdown of equities. De Beers Consolidated Mines of South Africa, which, through its Central Selling Organisation, controls world supplies of rough diamonds, took the view that demand might suffer as investors counted their stock market losses. So, to avoid a possible glut, it cut back allocations of rough stones in November and December.

The fears proved unfounded, however, and Christmas demand for diamond jewellery held up remarkably well.

The temporary cut in supplies came at a bad time for India, where the number of exporters had trebled in three years to about 3,000 — all vying to keep the country's 500,000 cutters and polishers busy.

Diamond-polishing is a labour-intensive industry in India, where it provides much-needed employment in remote villages. Exporters have established an extensive network to supply rough diamonds and collect finished stones. A strong tradition of trust enables traders to hand over roughs to cutters fully confident of their proper finishing and safe return.

There are only 43 Indian exporters who, as "sight holders", are able to buy diamonds directly from the CSO. Smaller traders are supplied by the Hindustan Diamond Company, a joint venture of the Indian Government, the Bank of Bermuda and the Indian Investment trust.

The main cutting and polishing centre is in Bombay but there are smaller concentrations at Surat — about 150 kilometres to the south — and several small towns and villages in the western state of Gujarat.

Indian diamond sales averaged Rs 406 per carat last year, up from Rs 287 in 1986. But the rise was mainly a reflection of higher rough stone costs and the industry's net foreign exchange earnings fell from Rs 4.8bn to Rs 4.2bn.

Mr Kaushik Mehta, convenor of the diamond panel of the Gem and Jewellery Export Promotion Council, says Indian exporters had to contend with at least four adverse factors last year.

● Two rises in the secong half lifted the CSO's rough diamond prices by a total of 17 per cent, and unsettled market conditions have prevented this from being passed on fully to customers.

● Drought in western India, where there is a large concentration of diamond cutters, created food shortages and drinking water problems, upsetting the rhythm of rural life.

● The dollar/rupee exchange rate fluctuated violently.

● Although interest rates fell elsewhere India's exporters continued to pay 9.5 per cent a year on export credits given by commercial banks in India.

If the Indian diamond industry is to maintain its impressive growth it needs improvd supply, in terms of quality as wel as quantity.

Mr Jatin Mhta, chairman of the export promotn council, complains that the poor qality of rough stones supplied to Incan cutters results in excessive wastae in processing. And exporters warn hat the world market in cut and policehd "makeables" — the small diamonds in which India specialises - may be getting close to saturation point.

Recognising tese problems the Government is discouraging the import of inferio roughs through a sytem of import icensing. And the search for new upply sources is being stepped up. Australia's giant Argyle mine is apossible supplier and there may als be potential in Zaire and, to a lesse extend, Angola.

India's strategy : to broaden its coverage to includeall categories of diamonds so that itcan take advantage of shifts in cosumer preferences overseas.

It is keen to breakuto the capital-intensive large diamnds sector by encouraging establishd exporters to upgrade their facilitie to handle the larger stones and leay the cheaper end of the market to rw entrants.

The extended time gap opened between the UK and the US following the introduction of British Summer Time means that for this week only closing US commodity prices will not be available for inclusion in the first edition of the Financial Times. For the remainder of this week first editions will carry this information a day late.

INDICES

REUTERS (Base: September 18 1931 = 100)				
	Mar 25	Mar 24	mnth ago	yr ago
	1761.1	1743.0	1757.2	1528.9
DOW JONES (Base: December 31 1974 = 100)				
Spot	132.28	132.05	127.76	116.04
Futures	134.53	134.84	131.30	115.58

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar suffers renewed selling

THE DOLLAR was the subject of renewed nervousness on the foreign exchanges yesterday.

Lack of confidence on Wall Street, and suggestions that Japanese investors will be heavy sellers of the dollar after the end of the financial year on March 31, put pressure on the US currency.

Intervention by the Bank of Japan in Tokyo was not on a large scale, and there was no sign of support for the dollar by European central banks, but dealers suggested the Federal Reserve may wish to prop up the US currency to revive confidence in the equity market.

It seemed unclear yesterday whether the fall in share prices was pushing the dollar lower, or vice versa.

The US currency fell to the lowest level since early January at Y124.15, from Y125.30 on Friday. It also declined to DM1.6610 from DM1.6755; to FFr5.6275 from FFr5.6850; and to SFr1.3705 from SFr1.3860.

On Bank of England figures the dollar's index weakened to 92.6 from 93.2.

STERLING - Trading range against the dollar in 1987/88 is 1.8785 to 1.4710. February average 1.7580. Exchange rate index rose 0.4 to 77.1, compared with 73.2 six months ago.

Sterling's overall strength resulted from the weakness of the dollar, and a general belief that London interest rates are unlikely to fall in the near future.

The decline of the dollar left the market looking again at the attractions of a high interest rate currency, such as the pound.

Sterling has fallen back from the DM3.10 level, following last week's announcement of poor UK trade figures. This has reduced speculation about lower bank base base rates. It was suggested before the trade figures that a rise to DM3.15 would trigger a cut of ½ p.c. to 8 p.c. in base rates.

But at the same time strong UK growth, possible inflationary pressure, and a continuing balance of payments deficit, means the authorities are likely to be equally reluctant to cut rates.

This leaves sterling as a relatively attractive currency, in the present uncertain circumstances generated by nervousness about the dollar.

The pound climbed to DM3.0875 from DM3.0775; to FFr10.4625 from FFr10.4400; to SFr2.5475 from SFr2.5450; and to Y230.75 from Y230.00.

Sterling also gained 2¼ cents to $1.8585-1.8595.

D-MARK - Trading range against the dollar in 1987/88 is 1.9305 to 1.5740. February average 1.6966. Exchange rate index 149.2 against 146.3 six months ago.

The D-Mark rose against the dollar as share prices on Wall Street fell. Dealers suggested that unless the US equity market recovers the dollar will fall below DM1.6600. It closed in Frankfurt at DM1.6640, compared with DM1.6760 on Friday.

The Japanese yen remained very firm, rising to DM1.33925 per 100 yen, from DM1.33525 on Friday.

Comments by Mr Gerhard Stoltenberg, West German Finance Minister, that sterling should become a full member of the EMS, supported the pound. It rose to DM3.0845 from DM3.0750.

JAPANESE YEN - Trading range against the dollar in 1987/88 is 159.45 to 121.35. February average 129.17. Exchange rate index 246.0 against 221.2 six months ago.

The yen was very firm against the dollar in Tokyo, but intervention by the Bank of Japan was seen as only a smoothing exercise. The central bank was reported to have bought about $100m in the morning, and possibly more dollars in the afternoon.

The US currency fell below Y125 for the first time since January 5, and closed at Y124.45 in Tokyo, compared with Y125.75 on Friday.

£ IN NEW YORK

Mar.28	Latest	Previous Close
£ Spot	1.8528-1.8535	1.8415-1.8425
1 month	0.30-0.28pm	0.29-0.27pm
3 months	0.79-0.75pm	0.81-0.78pm
12 months	2.77-2.67pm	2.77-2.69pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Mar 28	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.3757	+2.16	NA	±1.5344
Danish Krone	7.85212	7.93655	+1.08	NA	±1.6404
German D-Mark	2.05853	2.07203	+0.66	NA	±1.0981
French Franc	6.90403	7.02623	+1.77	NA	±1.3674
Dutch Guilder	2.31943	2.32739	+0.34	NA	±1.5012
Irish Punt	0.768411	0.774609	+0.82	NA	±1.6684
Italian Lira	1483.58	1534.11	+3.41	NA	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

FINANCIAL FUTURES

US bonds lose early gains

RENEWED DOLLAR weakness and a fall in equity markets, both in the US and UK, attracted most of the attention in Liffe trading yesterday.

Activity in the US Treasury bond sector saw values marked up initially, after Friday's strong finish in Chicago - itself a reflection of Wall Street's poor performance - before surrendering much of the day's profit as the dollar lost ground.

Early demand for bonds underlined fears about a further decline in share prices, but the dollar's weakness soon put a brake on the switch into Federal paper. Dealers argued that a weaker dollar, coupled with recent data reflecting solid economic growth, gave the US Federal Reserve the option of increasing US interest rates.

However this could put put further pressure on equities, and with last October's crash still fresh in many people's minds, the authorities' room for manoeuvre appeared to be limited.

There is little economic data to provide a fresh lead this week, although dealers noted that the US Federal Open Market Committee meets today. While the outcome of each meeting is not immediately known, traders will be keen to watch the Fed's actions in the money market, in order to pick up any clues on Federal policy.

The June bond futures price opened at 90-27 for June delivery, but fell back to close at 90-15 compared with 90-11 on Friday.

UK stocks opened with a bearish feel, after February's disappointing trade figures

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
116	544	—	12	—
118	362	—	30	—
120	233	—	101	—
122	125	—	157	—
124	45	—	313	—
126	20	—	452	—
128	9	—	641	—

Estimated volume total, Calls 5306 Puts 1717
Previous day's open int. Calls 30584 Puts 22488

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
84	647	647	17	117
86	504	514	38	148
88	330	356	100	226
90	208	247	142	317
92	110	152	244	422
94	37	109	407	543
96	21	46	555	716

Estimated volume total, Calls 3503 Puts 100
Previous day's open int. Calls 1198 Puts 1136

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Apr	Calls-settlements MAY	Puts-settlements Apr	Puts-settlements MAY
16000	1474	1621	74	221
16500	1066	1261	166	361
17000	723	952	323	552
17500	457	696	557	796
18000	267	493	867	1093
18500	145	338	1245	1438
19000	72	225	1672	1825

Estimated volume total, Calls 10 Puts 11
Previous day's open int. Calls 30 Puts 47

LIFFE £/$ OPTIONS

[illegible]

LIFFE EUROSDOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LONDON SE £/$ OPTIONS

[illegible]

LONDON (LIFFE)

20-YEAR 12% NOTIONAL GILT — [illegible]

7-10 YEAR 9% NOTIONAL GILT — [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND — [illegible]

THREE MONTH STERLING — [illegible]

US TREASURY BONDS 8% — [illegible]

FT-SE 100 INDEX — [illegible]

THREE MONTH EURODOLLAR — [illegible]

US TREASURY BONDS 8% — [illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% — [illegible]

JAPANESE YEN (IMM) — [illegible]

DEUTSCHE MARK (IMM) — [illegible]

U.S. TREASURY BILLS (IMM) — [illegible]

THREE-MONTH EURODOLLAR (IMM) — [illegible]

SWISS FRANC (IMM)

SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Jun	0.7352	0.7354	0.7351	0.7288
Sep	0.7448	0.7448	0.7448	0.7378
Dec	0.7525	0.7525	0.7520	0.7473
Mar	-	-	-	0.7568

STANDARD & POORS 500 INDEX

500 times index

	Latest	High	Low	Prev.
Jun	257.70	258.25	257.25	257.75
Sep	259.20	259.70	258.70	259.25
Dec	260.70	260.80	259.80	260.60
Mar	262.10	262.20	261.80	262.00

CURRENCY FUTURES

[illegible]

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on Monday, March 28, 1988. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on US dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers rate; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.25	Gibraltar	Gibraltar £	1.00	Paraguay	Guarani	592.80(o) 1646.87(f)
Albania	Lek	10.1909	Greece	Drachma	245.83			
Algeria	Dinar	9.6245	Greenland	Danish Krone	11.2875			
Andorra	French Franc / Spanish Peseta	10.4625 / 205.88	Grenada	E. Caribbean $	5.00	Peru	Inti	61.13 / 77.81 / [illegible]
Angola	Kwanza	56.0190	Guadaloupe	Local Franc	10.4625			
[illegible]	[illegible]	[illegible]	Guam	U.S. $	1.8590	[illegible]	[illegible]	[illegible]

MONEY MARKETS

Pound strong but UK rates steady

INTEREST RATES were barely changed in London yesterday. While sterling was firmer - mainly at the dollar's expense - traders saw little chance of downward pressure on clearing bank base rates, because sterling failed to show any sign of threatening the DM3.15 level.

The key three-month interbank rate was quoted at 8⅞-8¾ p.c. from 8¾-8⅝ p.c. while the one year rate was unchanged at 9⅛-9 p.c. Overnight money opened at 8⅞-8¾ p.c. and dipped to a low of 8¼ p.c. before coming back to touch a high of 10 p.c. Late balances were taken at 9 p.c.

The Bank of England forecast a shortage of around £700m, with factors affecting the market including, repayment of late assistance and bills maturing in official hands together with a take up of Treasury bills draining £451m. A further £1,328m was taken out by the unwinding of gilt sale and repurchase agreements, first offered on January 13 to help offset corporate tax. These were partly offset by Exchequer transactions which added £630m, and a fall in the note circulation of £375m. In addition banks brought forward balances £55m above target.

The forecast was revised to a shortage of around £600m, and the Bank gave assistance in the morning of £207m, comprising outright purchases of £2m of eligible bank bills in band 4 at 8⅝ p.c. and £205m through sale and repurchase agreements on £205m of bills at 8⅞-8⅝ p.c., for resale on March 30.

Additional help in the afternoon came to £148m through outright purchases of £94m of eligible bank bills in band 1 at 8¾ p.c. and sale and repurchase agreements on £55m of bills at 8⅞ p.c., unwinding on March 30. Late help came to £45m, making a total of £401m.

In Frankfurt, short term liquidity remained in good supply, after last week's generous allocation of funds at the Bundesbank's sale and repurchase tender. A small decline in banks' holdings with the central bank failed to have any effect on sentiment because banks had already met their end of month minimum reserve requirements. Consequently they were in a position to offer excess funds into the market.

UK clearing bank base lending rate 8½ per cent from March 17

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

NEW YORK — [illegible]

[illegible]

LONDON MONEY RATES

[illegible]

EUROPEAN OPTIONS EXCHANGE

Series		May 88 Vol	May 88 Last	Aug. 88 Vol	Aug. 88 Last	Nov. 88 Vol	Nov. 88 Last	Stock
GOLD C	$440	365	23.50	3	34.50	-	-	$453.90
GOLD C	$460	294	10.50	361	21	2	31 B	$453.90
GOLD C	$480	644	4.20	135	12.50	5	22	$453.90
GOLD P	$420	5	2.50	284	5	19	9	$453.90
GOLD P	$440	301	5	3	9	10	12.50 A	$453.90
		Apr. 88		May 88		Jun. 88		
EOE Index C	Fl. 185	169	13.20 B	61	13.50	-	-	Fl. 198.45
EOE Index C	Fl. 190	155	9	86	11	-	-	Fl. 198.45
EOE Index C	Fl. 200	216	5	13	6.90	2	9.70	Fl. 198.45
EOE Index C	Fl. 205	272	3.20	37	5	-	-	Fl. 198.45
EOE Index C	Fl. 210	257	1.70	96	3.20	-	-	Fl. 198.45
EOE Index P	Fl. 180	293	1.90	-	-	-	-	Fl. 198.45
EOE Index P	Fl. 185	355	2.80	282	6	-	-	Fl. 198.45
EOE Index P	Fl. 190	250	4.20	341	7.50	-	-	Fl. 198.45
EOE Index P	Fl. 195	679	5.70	251	10.50	2	13	Fl. 198.45
EOE Index P	Fl. 200	425	7.10	96	13	54	15.50	Fl. 198.45
EOE Index P	Fl. 205	357	10.20	57	15.50	28	19	Fl. 198.45
EOE Index P	Fl. 210	173	14	40	19.30	3	21.50	Fl. 198.45
S/Fl C	Fl. 180	-	-	600	7.50	-	-	Fl. 186.97
S/Fl C	Fl. 185	120	2.60	246	3.70 B	-	-	Fl. 186.97
S/Fl C	Fl. 190	522	0.80	95	1.50	136	2.30 B	Fl. 186.97
S/Fl P	Fl. 180	2	0.40	48	1.50	92	2	Fl. 186.97
S/Fl P	Fl. 185	86	1.60	222	3.30	66	4	Fl. 186.97

		Apr. 88 Vol	Apr. 88 Last	Jul. 88 Vol	Jul. 88 Last	Oct. 88 Vol	Oct. 88 Last	Stock
ABN C	Fl. 40	492	0.60	282	1.70	94	2.30	Fl. 38.90
ABN P	Fl. 40	164	1.80	35	3.80	60	5	Fl. 38.90
AEGON C	Fl. 70	69	1.20	110	3 B	-	-	Fl. 67.40
AEGON P	Fl. 70	93	3.80	76	6.50	-	-	Fl. 67.40
AHOLD C	Fl. 75	126	0.40	4	1.70	-	-	Fl. 67.80
AKZO C	Fl. 100	930	4	455	6.60	83	9.50	Fl. 101.30
AKZO P	Fl. 100	630	3	496	8.70	37	10.50	Fl. 101.30
AMEV C	Fl. 50	136	3.30	61	5	23	5.50	Fl. 51.90
AMEV P	Fl. 50	305	1.50	45	4 A	-	-	Fl. 51.90
AMRO C	Fl. 70	422	0.80	401	1.90	34	3	Fl. 66.30
AMRO P	Fl. 65	180	1.40	4	3.50 B	5	5.90 B	Fl. 66.30
BUHRMANN-T C	Fl. 45	128	1	76	2.20 A	15	3	Fl. 43
BUHRMANN-T P	Fl. 45	94	2.60	47	4.80 B	33	5.50	Fl. 43
ELSEVIER C	Fl. 55	30	0.30	461	1.50	8	2.50	Fl. 48.30
ELSEVIER P	Fl. 50	147	3	148	4.50	10	6	Fl. 48.30
GIST-BROC. C	Fl. 35	209	0.60	69	1.90	35	3	Fl. 32.80
HEINEKEN C	Fl. 130	97	2	49	5.50	-	-	Fl. 124.30
HEINEKEN P	Fl. 120	54	3	78	5.80 A	8	7.50	Fl. 124.30
HOOGOVENS C	Fl. 40	66	0.50	259	2.30	78	3.50	Fl. 35
HOOGOVENS P	Fl. 35	156	2.10	65	3.50	20	5	Fl. 35
KLM C	Fl. 35	572	1.10	337	2.70	1304	3.20	Fl. 34.50
KLM P	Fl. 35	518	1.80	474	3.40	168	4.70	Fl. 34.50
KNP C	Fl. 130	138	4.90	71	6.30	9	10.70	Fl. 133.50
KNP P	Fl. 120	109	1.20	32	6	-	-	Fl. 133.50
NEDLLOYD C	Fl. 210	225	4.30	26	13 B	-	-	Fl. 200
NEDLLOYD P	Fl. 190	296	4.20 A	7	11.50	-	-	Fl. 200
NAT.NED. C	Fl. 60	139	0.60	211	1.80	13	3	Fl. 56.30
NAT.NED. P	Fl. 55	315	1.40	105	3.60	-	-	Fl. 56.30
PHILIPS C	Fl. 27.50	290	0.80	156	1.90	201	2.50	Fl. 27.70
PHILIPS P	Fl. 25	175	0.50	50	1.50	16	1.80	Fl. 27.70
ROYAL DUTCH C	Fl. 230	998	1.10	664	3.60	54	5.50 B	Fl. 218.20
ROYAL DUTCH P	Fl. 220	1041	5	34	14	12	19	Fl. 218.20
ROBECO C	Fl. 95	-	-	-	-	207	3	Fl. 88.40
ROBECO P	Fl. 90	174	3.50	30	7.30	-	-	Fl. 88.40
UNILEVER C	Fl. 110	540	2.90	425	5.80	65	7.70	Fl. 108.20
UNILEVER P	Fl. 110	446	4.70 A	163	9.50	25	11.50	Fl. 108.20

TOTAL VOLUME IN CONTRACTS : 48,835

A=Ask B=Bid C=Call P=Put

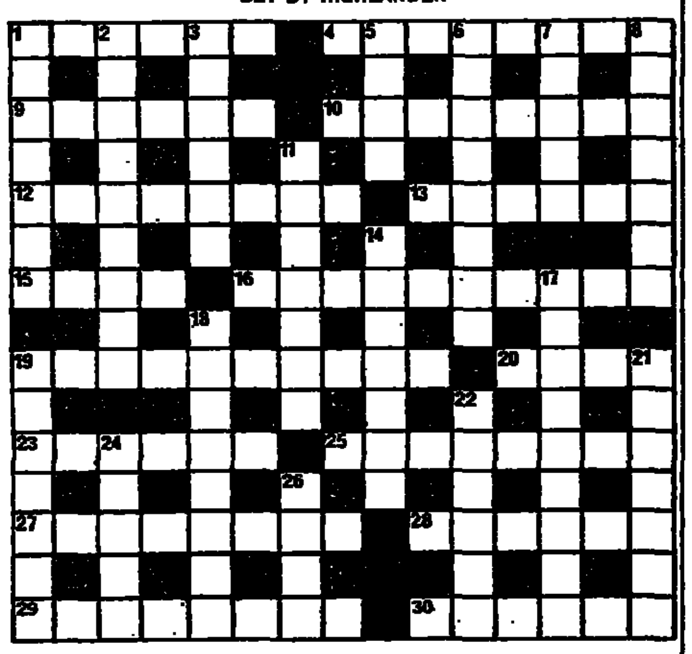
BASE LENDING RATES

	%		%		%
ABN Bank	8½	Citibank NA	8½	Nat Bk. of Kuwait	8½
Adam & Company	8½	City Merchants Bank	8½	NatWestminster	8½
AAB - Allied Arab Bk	8½	Clydesdale Bank	8½	Northern Bank Ltd	8½
Allied Irish Bank	8½	Comm. Bk.N.East	8½	Norwich Gen. Trust	8½
Henry Ansbacher	8½	Consolidated Cred	8½	PK Finans. Intl(UK)	9
ANZ Banking Group	8½	Co-operative Bank	*8½	Provincial Bank PLC	9½
Associates Cap Corp	10	Cyprus Popular Bk	8½	R. Raphael & Sons	8½
Authority Bank	8½	Dunbar Bank PLC	8½	Roxburghe G'rantee	10
B & C Merchant Bank	8½	Duncan Lawrie	8½	Royal Bk of Scotland	8½
Banco de Bilbao	9½	Equatorial Bank plc	9	Royal Trust Bank	8½
Bank Hapoalim	8½	Exeter Trust Ltd	9	Smith & Williamson Secs.	8½
Bank Leumi (UK)	8½	Financial & Gen. Sec	8½	Standard Chartered	8½
Bank Credit & Comm	8½	First Nat. Sec. Ltd.	9½	TSB	8½
Bank of Cyprus	8½	● Robert Fleming & Co.	8½	UDT Mortgage Exp	‡10.2
Bank of Ireland	8½	Robert Fraser & Ptnrs.	9½	United Bk of Kuwait	8½
Bank of India	8½	Girobank	8½	United Mizrahi Bank	8½
Bank of Scotland	8½	Grindlays Bank	8½	Unity Trust Bank Plc	8½
Banque Belge Ltd	8½	● Guinness Mahon	8½	Western Trust	8½
Barclays Bank	8½	HFC Trust & Savings	8½	Westpac Bank Corp.	8½
Benchmark Bank PLC	8½	● Hambros Bank	8½	Whiteaway Laidlaw	9
Berliner Bank AG	8½	Heritable & Gen Inv Bk	8½	Yorkshire Bank	8½
Brit Bk of Mid East	8½	● Hill Samuel	§8½		
Brown Shipley	8½	C. Hoare & Co.	8½		
Business Mtge Tst.	9	Hongkong & Shangh	8½		
CL Bank Nederland	8½	Lloyds Bank	8½		
Central Capital	8½	Meghraj Bank Ltd	8½		
Charterhouse Bank	8½	Midland Bank	8½		
		● Morgan Grenfell	8½		
		Mount Banking Corp.	8½		

● Members of the Accepting Houses Committee. * 7 day deposits 3.50% Savewise 6.16%. Top Tier-£2,500+ at 3 months' notice 7.81%. At call when £10,000+ remains deposited. ‡ Mortgage base rate. § Demand deposit 3.50%. Mortgage 9.625% - 10%

FT CROSSWORD No.6,593

SET BY HIGHLANDER



ACROSS

1 One in position to fish (6)
4 Goes on foot or shipping line (8)
9 The flower of golden youth, it's said (6)
10 Call on principal domestic power supply (4,4)
12 Set out in untimely wind (8)
13 Please move the wood (6)
15 Run from communist (4)
16 Finished perhaps a pound too heavy (10)
19 Crossing over carelessly on foot, following bird (10)
20 Am obliged to make mould (4)
23 More collected in prison (6)
25 Remarkable individual (8)
27 Hemp? Or kalanchoe possibly (3-5)
28 Glass firm has a suggestion overturned (6)
29 Transfer business income (8)
30 Notice, in the past, there's one inside that's slow (6)

DOWN

1 Complain about rubbish nuisance (7)
2 Additional entrance uses old railway line (9)
3 Rip off using hand tool (6)
5 Placed face up (4)
6 In college this girl would sound sentimental (8)
7 Alternatively add 8, so to speak (5)
8 Clement upset Tenniel (7)
11 Eastern Europeans are said to have tedious holidays (7)
14 Isn't art another form of travel? (7)
17 Trying porridge, followed by fish (9)
18 Trains here for battle (8)
19 Kitty puts flag on vessel (7)
21 Ran adrift and died in excessively high wind (7)
22 Ancient silver lode is unusual (3-3)
24 Freshwater mammal becomes much warmer after an hour (5)
26 Previously in contact with church (4)

Solution to Puzzle No.6,592

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

مكتبة بنك الأصل

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941
Life Assurance Funds

Wealth Assur.	383.2	403.5	—	—
Eb'r Ph. Eq.	341.0	362.5	—	—
Pension Plan Funds				
Phoenix				
UK Equity Acc.	162.1	170.6	-1.6	—
International Acc.	124.9	131.4	-2.3	—
Property Acc.	127.5	134.2	+1.9	—
Fixed Interest Acc.	155.2	163.3	-0.5	—
Money Acc.	137.7	144.9	+0.1	—
Bldg. Soc. Link Acc.	134.7	141.7	—	—
Special Mngd. Acc.Q	144.8	152.4	-1.3	—
Phoenix/Framlington				
Intnl. Growth Acc.	87.4	92.0	-1.0	—
Amer. & Gen. Acc.	81.2	85.4	-1.1	—
Capital Tst. Acc.	172.8	181.8	-2.2	—
Japan & Gen Acc.	178.6	187.9	-2.0	—
American Tem. Acc.	84.5	88.9	-1.4	—
Recovery Tst. Acc.	169.1	177.9	-2.8	—
Special Mngd Acc.	142.6	150.1	-1.6	—
Phoenix/GT				
International Acc.	119.0	126.1	-1.2	—
US & General Acc.	87.8	92.4	-1.6	—
Amer Spec Sits Acc.	64.4	67.7	-1.0	—
Japan & General Acc.	172.6	181.6	-1.0	—
Far East & Gen. Acc.	138.3	145.5	-0.6	—
UK Capital Acc.	170.2	179.1	-3.1	—
European Acc.	133.1	140.1	+0.1	—
Special Mngd. Acc.	124.0	130.5	-1.6	—

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	267.7	281.8	—	—
Man Pens Inc & Cap Fds	343.0	361.1	—	—
Money Fund	111.7	117.6	—	—
Pens. Mngd Fd (Unit)	85.4	89.9	—	—
Pens Mngd Fd (Acc)	96.3	101.4	—	—
Pens FT30 Fd (Unit)	129.8	136.7	—	—
Pens FT30 Fd (Acc)	146.4	154.2	—	—
Pens O'seas MgFd(Unit)	56.6	59.6	—	—
Pens O'seas MgFd(Acc)	63.8	67.2	—	—
Pens Fxd Int Fd (Unit)	105.2	110.8	—	—
Pens Fxd Int Fd (Acc)	118.7	125.0	—	—
Pens Deposit Fd (Unit)	101.0	106.4	—	—
Pens Deposit Fd (Acc)	113.9	119.9	—	—

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222
Preferred

Managed Mar 23	199.1	207.4	—	—

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed Fd.	441.6	464.9	—	—
Equity Fd.	869.4	915.2	-8.0	—
Intnl. Fd.	300.2	316.0	-5.2	—
Fixed Int. Fd.	365.0	384.3	-0.8	—
Prop. Fd.	314.3	330.9	—	—
Cash Fd.	235.3	247.7	+0.1	—
Pacific Basin Fd.	167.2	176.0	-2.4	—
North American Fd.	123.2	129.7	-2.4	—
European Fd.	129.2	136.1	-2.3	—
Holborn Natural Gwth Fd.	100.0	105.3	—	—
Holborn Strategic Gwth Fd.	99.1	104.4	—	—

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed	455.6	479.6	-7.8	—
Equity	638.4	672.0	-16.8	—
Global Equity	192.1	202.3	-3.2	—
Fixed Interest	375.8	395.6	-1.9	—
Property	307.9	324.2	—	—
Cash	138.7	146.0	+0.2	—
Index Linked Gilt	164.0	172.7	-0.2	—
Guaranteed	8.68	—	—	—
International Money	185.1	194.9	+1.5	—
North American Fd.	55.8	58.8	—	—
Japanese Fund	121.9	128.4	—	—
European Fund	69.3	73.0	—	—
Special Situations Fd.	93.6	98.64	—	—
Communications Fund	78.9	83.1	—	—
Smaller Cos Fund	98.5	103.7	—	—

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretry Mar 23	£125.33	128.92	—	—
Equity Fund Mar 23	£136.12	140.22	—	—
Intnl Fund Mar 23	£20.99	21.06	—	—
Intl Bond Fd Mar 23	£10.59	10.73	—	—
Fixed Int Mar 23	£68.08	68.97	—	—

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

MANAGEMENT SERVICES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1987/88 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
102¼	[illegible]	Exch 10¼pc '88	[illegible]	.....	10.48	8.63
[illegible]	[illegible]	Treas 9¾pc Cv '88	[illegible]	.....	9.73	8.54
[illegible]	[illegible]	Transport 3pc '78-88	[illegible]	[illegible]	3.03	6.79
[illegible]	[illegible]	Treas. 9½pc '88	[illegible]	[illegible]	9.46	8.80
[illegible]	[illegible]	Treas 11½pc 1989	[illegible]	[illegible]	11.25	8.80
[illegible]	[illegible]	Treas 9½pc Cnv 1989	[illegible]	[illegible]	9.43	8.75
[illegible]	[illegible]	Treas 3pc 1989	[illegible]	[illegible]	3.12	6.50
[illegible]	[illegible]	Treas 10½pc 1989	[illegible]	[illegible]	10.32	8.88
[illegible]	[illegible]	Exch 10pc 1989	[illegible]	[illegible]	9.86	8.88
[illegible]	[illegible]	Exch 11pc 1989	[illegible]	[illegible]	10.69	8.86
[illegible]	[illegible]	Treas 5pc 1986-89	[illegible]	[illegible]	5.19	7.46
[illegible]	[illegible]	Exch 10¼pc Cv '89	[illegible]	[illegible]	9.88	7.73
[illegible]	[illegible]	Treas 13pc 1990‡‡	[illegible]	.....	12.19	8.88
[illegible]	[illegible]	Exch 11pc 1990‡‡	[illegible]	[illegible]	10.63	8.89
[illegible]	[illegible]	Exch. 12½pc 1990	[illegible]	[illegible]	11.76	8.95
[illegible]	[illegible]	Treas. 3pc 1990	[illegible]	[illegible]	3.24	6.78
[illegible]	[illegible]	Treas 8¼pc 1987-90‡‡	[illegible]	[illegible]	8.32	8.64
[illegible]	[illegible]	Treas. 8pc Cv 1990	[illegible]	[illegible]	7.94	7.63
105	[illegible]	Treas. 10pc Cv 1990	[illegible]	[illegible]	9.77	8.90
[illegible]	[illegible]	Exch 2½pc 1990	[illegible]	.....	2.78	6.64
[illegible]	[illegible]	Treas 11¾pc 1991	[illegible]	[illegible]	11.03	9.01
[illegible]	[illegible]	Funding 5¾pc '87-91‡‡	[illegible]	[illegible]	6.11	7.95
[illegible]	[illegible]	Treas. 3pc 1991	[illegible]	[illegible]	3.38	7.08
[illegible]	[illegible]	Treas 10pc Cv '91 ‡‡	[illegible]	[illegible]	9.59	8.49
[illegible]	[illegible]	Exch. 11pc 1991	[illegible]	[illegible]	10.38	9.08
[illegible]	[illegible]	Treas. 8pc 1991	[illegible]	[illegible]	8.25	8.95
[illegible]	[illegible]	Treas 12¾pc 1992‡‡	[illegible]	[illegible]	11.42	9.04
[illegible]	[illegible]	Treas 10pc 1992	[illegible]	.....	9.69	9.01
[illegible]	[illegible]	Treas. 8pc 1992 ‡‡	[illegible]	[illegible]	8.26	8.95
[illegible]	[illegible]	Treas 10½pc Cv 1992‡‡	[illegible]	[illegible]	10.02	9.08
[illegible]	[illegible]	Treas. 3pc 1992	[illegible]	.....	3.53	7.17
[illegible]	[illegible]	Exch. 12¼pc '92	[illegible]	[illegible]	11.03	9.14
[illegible]	[illegible]	Exch 13½pc 1992	[illegible]	.....	11.68	9.15

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

AMERICANS—Contd

1987/88 High	Low	Stock	Price $	+ or –	Div Gross	C'vr	Y'ld Gr's
22½	9¾	♦Staley Continental‡	15¾	+⅛	80c	–	2.8
44⅞	21⅝	Sun Co. Inc. $1	30½	–⅛	$3.00	–	5.4
42¼	22¼	TRW Inc. 62½c	27½	.....	A$1.60	–	3.2
37⅜	21	Tenneco $5	23⅝	+⅛	$3.04	–	7.1
29⅜	15⅜	Texaco $6.25	24½	–⅛	$3.00	–	6.7
74⅞	36⅞	Time Inc. $1	47¾	–1⅛	$1.00	–	1.2
30⅛	15	Transamerica $1	18⅝	+⅛	$1.84	–	5.4
14⅝	1¼	Transworld Corp $5	975p	+25	20c	–	1.1
27⅞	12¼	TRINOVA Corp.	17¾	–⅛	56c	–	1.7
24⅞	12⅝	♦USX $1	16⅛	–⅛	$1.20	–	4.1
37⅝	16¼	Utd. Technologies	21⅝	–⅛	$1.40	–	3.5
38⅝	25⅞	US West‡	29	.....	$3.28	–	6.2
90½	17⅛	Waste Management $1	19¾	.....	36c	–	1.0
31⅝	11⅝	Whirpool $1	13⅞	–⅛	–	–	–
37⅝	16½	♦Woolworth $3½	24⅞	–⅛	$1.32	–	2.9

CANADIANS

1987/88 High	Low	Stock	Price	+ or –	Div	C'vr	Y'ld
691p	213¼p	ABM Gold Corp ‡	217p	–1½	–	–	–
32p	10p	♦Abbot Energy Corp.	25¼p	.....	–	–	–
18⅝	506p	♦Amer. Barrick Res.	11	–⅛	–	–	–
141p	5½p	American Lightwave	4½p	.....	–	–	–
122p	25p	♦Armeno	28p	+1½	–	–	–
117p	39¼p	Augmitto Explo	53p	+3	–	–	–
19⅜	10⅜	Bk. Montreal ‡	11⅜	–⅛	$2.00	–	7.6
10½	488p	Bk. Nova Scot.‡	554pxd	–20	72c	–	5.7
20⅝	15	BCE ‡	16⅝xd	–⅛	$2.44	–	6.5
10⅜	511p	♦Bow Valley‡	590p	–9	‡40c	–	2.9
20	10⅜	♦Brascan‡	11⅝	–⅛	88c	–	3.3
609p	186p	♦Breakwater Res.	261p	–1	10c	–	1.7
11⅝	734p	Can.Imp Bank‡	891p	–33	$1.16	–	5.7
14	792p	Can. Pacific ‡	10⅛	–⅛	60c	–	2.6
42½	37½	Do. 4pc Deb £100	40	.....	4%	–	10.0
827p	332p	Central Capital "A" ‡	445p	–8	–	–	–
333p	297p	Cons. TVX Min.	297p	–31	–	–	–
164p	28¼p	Danbus Res.	159p	–⅛	–	–	–
687p	354p	Derlan Inds.	516p	–3	11.75c	–	1.0
18	756p	♦Echo Bay Mines	11⅛	–⅛	20c	–	0.8
68p	26¼p	Energex Minerals	27p	–1	–	–	–
230p	66p	Euro-Asia Capital Ltd.	87p	–3	–	–	–
821p	222p	♦Galactic Resources	222p	–2	–	–	–
236p	89p	♦Geodome Res.	101p	.....	–	–	–
69p	4¼p	Global Data Systems	14p	.....	–	–	–
873p	237p	Granges Explo‡	277p	+9	–	–	–
19½p	7½p	♦Gt Pacific Res.	13p	.....	–	–	–
14½	560p	♦Gulf Canada‡	717p	–16	52c	–	3.2
14⅝	782p	♦Hawker Sid Can‡	970p	–22	$1.08	–	4.9
740p	332p	♦Henlys Group	478p	–3	–	–	–
14⅝	767p	♦Hudson's Bay ‡	987p	.....	60c	–	2.9
38¼	21¼	♦Imperial Oil‡	25¼	–⅛	s$1.60	–	2.8
14¼	764p	Inco‡	13½	–⅛	US$0.40	–	1.6
460p	290p	♦Intl. Corona Res.	385p	–8	–	–	–
785p	417p	♦Inland Nat. Gas $1	545p	–3	60c	–	4.7
10¼	385p	♦Lacana Mining Corp ‡	532p	+2	Q15c	–	1.2
756p	129p	Madeleine Mines	244p	–2	–	–	–
2456p	102p	♦Mascocho Explo.	161p	+2	–	–	–
379p	125p	♦Mitel Business Syst.‡	130p	–7	–	–	–
623p	110p	♦Nevada Goldfields	282p	+23	–	–	–
12	696p	♦Rio Algom	934p	–17	$1.30	–	6.1
19⅜	11¼	Royal Bk. Can. ‡	12¼	–⅛	$2.08	–	7.5
403p	135p	♦Royex Gold Mining ‡	220p	+4	–	–	–
52¼	27⅝	Seagram‡	28¼	–⅛	US$1.10	–	2.1
731p	235p	♦Sonora Gold Corp‡	271p	–8	–	–	–
208p	18p	Spiral Exp.	33p	.....	–	–	–
100p	35p	Tara Pare Tech. Corp. ‡	93¾p	+⅛	–	–	–
15⅜	10	Toronto-Dom. Bk.‡	12⅝	–⅛	92c	–	3.2
228p	19p	♦Trans Atlantic Res ‡	26½p	–4	–	–	–
10⅜	566p	♦Trans Can Pipe.	594p	.....	$1.12	–	8.3
200p	115p	♦Varity Corp‡	159p	+4	‡–	–	–

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS - Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES—Contd

1987/88 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
£22¼	£12¾	Torchmark $1.00	£16	—	Q$1.00	—	3.4	—
410	235	Trade Indemnity	385	+5	5.6	—	2.0	—
£34	£17¾	Travelers $1.25	£19¾	−⅛	$2.40	—	6.8	—
£30¼	£15¼	USF & G Corp$2.50	£17⅞	—	Q$2.64	—	8.3	—
£33⅛	£15¼	USLIFE Corp. $2.0	£19⅞	—	Q$1.28	3.2	3.6	8.7
738	495	Wind Friendly B 10p	555	+10	21.0	—	5.2	—
464	192	Willis Faber 12½p	203	−2	†10.75	2.4	7.3	7.7
128	41	Windsor Secs. 10p	66	—	0.8	♦	1.8	♦

LEISURE

1987/88 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
38½	7½	A & M Group 10p	8	−1	—	—	—	—
242	77	Airtours 10p	104	−2	Lt5.4	1.6	7.3	12.1
549	253	Anglia TV	383	−3	14.5	3.1	5.1	8.7
141	62	Aquascut 1p	85	−3	†0.5	6.7	0.8	24.0
72	36	BBCE Hldgs 5p	36	—	Ld1.0	2.7	3.8	13.4
300	132	Barr & W.A.T. 'A'	217	−3	16.0	1.4	5.1	17.7
46	18	Good Media	22	−2	—	—	—	—
235	165	Boosey & Hawkes	217	+2	—	—	—	—
83	28	Border T.V.	36	—	†1.4	2.4	5.3	10.4
[illegible]								

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

IRISH

[illegible]

TRADITIONAL OPTIONS

3-month call rates

Industrials

[illegible]

Property

[illegible]

Oils

[illegible]

Mines

[illegible]

A selection of Options traded is given on the London Stock Exchange Report Page

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Mar 7	Mar 17	Mar 18	Mar 28
Mar 21	Apl 7	Apl 8	Apl 18
Apl 11	Apl 21	Apl 22	May 3

*New time dealings may take place from 9.00 am two business days earlier.

Equities suffer further losses in thin turnover while Gilt-edged move higher

THE RE-AWAKENED concern over the outlook for the US dollar continued to take its toll of the UK equity market yesterday. With the dollar lower before the London stock market opened, the big investment funds kept away from equities, leaving share prices to extend their losses in thin turnover. Government bonds improved behind a firmer pound as the trading houses awaited news from this week's House of Commons Budget Committee hearings, addressed yesterday by the Governor of the Bank of England and on Wednesday by the Chancellor of the Exchequer.

London's pre-occupation with the US markets was complicated by the switch to UK Summertime last weekend. This sets back the opening of Wall Street to 3.30pm UK time this week, until New York also adjusts its clocks.

Not all London's worries emanated from the other side of the Atlantic, however. Last week's setback in UK equity sectors, crowned by the poor February trade figures and rights issue calls from leading industrial companies, has raised fears that the bear market, which began in October, could be set for another run.

Fearing the worst, the equity market opened 17.3 points down on the FT-SE scale, and slipped to a near 30 point loss ahead of Wall Street's opening. However, London rallied when New York managed to reduce its initial loss. Among the major trading houses, UBS Phillips & Drew was believed to have operated an equity trading programme.

The FT-SE 100 index closed 21.4 down at 1746.5, for its sixth successive session of losses. The prospect of two four-day trading weeks, together with the host of market uncertainties, served to discourage fund manager interest. The Seaq bargains total of 417.9m shares leaned heavily on inter-marketmaker operations.

Dollar-earning shares continued to take the brunt of the setback, with Glaxo, BAT Industries and Shell featuring in the list of losses, and ICI falling below the significant £10 a share level once again.

A firm exception was provided by Beecham, which benefited from buying from Japan towards the close, following the latest reports on the battle for the heart drug market between Beecham's Eminase and TPA, the rival made by Genentech of the US. A report on the latest TPA tests was leaked in London last night, several days ahead of intended publication. Genentech shares eased in early trading in US markets.

The day started poorly, with the FT-SE futures contracts quickly falling to discounts against the underlying index. Index futures trading is split between the March contract, used by day-to-day traders, and the June contract, favoured by longer term operators.

Both contracts remained at discounts throughout yesterday, the March contract ending at 3 points and the June at 10 points discount. More significantly, according to a futures trader at a big American house, the "open interest" in June contracts remains high at 7,000, against 3,000 for March, suggesting that the long term bears remain in the majority.

Bonds closed with ¼ gains, boosted by a spurt in the Liffe gilt futures contract at the close of an "incredibly boring" session, as one major trader described it. The futures contract broke through a resistance level of 121-16 and cash bonds quickly responded. However, there was virtually no retail interest yesterday.

The long end closed steadily, with yields at 9.29pc on the key '03-'07 issue. Weakness in equities, while now thought unlikely to provoke another base rate cut, may make bonds more attractive to fund managers. But, "the institutions still seem happy to hold cash at present", was the despairing view of one UK bond trader.

BP "new" returned to prominence with some 17m shares changing hands; turnover in the "old" was 2.9m. Buying of the "new" was spread around several brokers, including some known to have acted for the Kuwait Investment Office in the past. The old settled a net 2 off at 262p, having earlier fallen to 258p, while the "new" closed the same amount down at 71p. British Gas — with 10m traded — settled 3 off at 130½p, weakened by selling ahead of the final 40p call on the shares due on April 19, and "switch into the oil majors" advice from BZW. LASMO, due to announce preliminary figures today, rose 9 to 344p.

The "big-four" banks performed exceptionally well in view of the overall decline by the equity market. NatWest were the outstanding performer in the sector and touched 570p prior to closing a net 7 higher at 568p; the upsurge in NatWest followed a strong "buy" recommendation from securities house Kleinwort Grieveson where Mr Norrie Morrison, banks analyst, favours the bank above the other clearers. Among other bullish factors, He cites the underperformance of the shares over the past two weeks, the level of support for the stock at the 560p mark and a current stock shortage. Turnover in NatWest was 1.6m shares.

Standard Chartered, on the other hand, remained on the receiving end of the market and dropped 15 more to 425p in front of tomorrow's preliminary figures which dealers are confident will show losses in the region of £400m. Additionally there are worries that the dividend could be reduced and that a rights issue may be announced.

Merchant banks stood up well to the overall buffeting the market received.

Composite insurances included a notable weak spot in Royal Insurance which retreated 12 to 387p following a handful of big selling orders. Sun Alliance managed a minor gain at 872pafter BZW, the securities house, said the stock is a "major beneficiary of the mild winter". Lifes, "performed relatively well in the circumstances" a dealer said, although Prudential lost 20 to 828p after persistent selling from one quarter. Sun Life, reporting preliminary profits on Wednesday — BZW predicts£20.5m against £17.4m — gave up 13 to 1060p. In brokers, Dewey Warren added 5 at 119p on news that Leisure Investments has purchased a near 5 per cent stake. Willis Faber, preliminary figures due today, eased 3 to 202p; SBCI Savory Milln are forecasting pre-tax profits of £55m, compared with last time's £74.8m, and BZW are going for £60m.

The three newcomers to the new issues sector all struggled to achive first-day premiums, but a couple did so. Resort Hotels closed at 17 compared with a placing price of 14p while MTL Instruments finished at 76p against a placing price of 73p. Penine Optical, the Third Market's latest recruit, failed to budge from the placing price of 50p.

Leading Breweries staged a resilient performance with quotations showing little alteration at the close of business. Elsehwere, Wolverhampton and Dudley finished a shade lower at 387p after news of the deal to acquire 61 public houses in the Midlands and Manchester area from Heron International.

Leading Building stocks mirrored the market trend, but a buying foray by one leading securities house, thought to be UBS-Phillips and Drew, for a couple of stocks went some way to alleviating the gloom. A purchase of some 1.8m shares at 259p left George Wimpey 11 higher at 255p; the company's annual results are due to be published today and profit estimates range from £80m to £95m compared interim profits in the region of £5m today compared with last time's £3.2m.
with the previous year's near £67m.

Watts Blake Bearne softened 4 to 264p, the 20 per cent annual profits increase discounted.

ICI, unsettled by general market conditions and the strength of the pound against the US dollar, dipped below £10 for the first time for nearly four months to close a net 20 down at 999p, after 987p. Positive trading statements failed to sustain Brent Chemicals, finally 8 off at 126p and William Canning, which settled 7 cheaper at 188p.

The stores sector showed widespread falls but these were generally of a minor nature compared with other areas. Marks and Spencer were sold down to 165p before closing a net 5 off at 166p.

Next lost 4 to 289p in front of today's preliminary figures; BZW are going for pre-tax profits of £91m and County NatWest Securities for £92m compared with £53.78m.

Body Shop retreated 35 to 475p in the wake of the placement by Capel Cure Myers, the company's broker, of £9.6m worth of new shares at 480p a share to finance new warehousing and manufacturing facilities. In addition founders Anita and Gordon Roddick and Ian McGlinn have substantially reduced their holdings in the group.

Underwoods lost 7 to 133p as County NatWest Securities issued a "sell" recommendation.

GEC easily retained the accolade of being the biggest turnover stock in the electronics majors with 9m changing hands over the session; the shares, sold down to 145p during the morning revived to end the day a fraction harder at 147p.

Plessey, where 2.3m shares moved through the SEAQ system, gave up 3 to 156p, amid growing market doubts over the existence of a major shareholder of the stock. Racal rallied well late in the day and settled 1½ off at 219½p on turnover of 3.2m. Cable & Wireless were 7 off at 319p but BICC rallied 4 to 308p. AB Electronic dipped 5 to 378p — Morgan Grenfell and BZW both expect the company to announce

Resisting the trend, Beauford advanced 10 to 135p in the wake of news that David Bulmer has acquired a 15 per cent stake in the company. Elsewhere in the Engineering sector, TI held steady at 322p following the announcement of a further disposal; the group is selling Serco Corp., a Canadian subsidiary, for approximately £2.5m. Confectionery shares, often the subject of takeover rumour, reacted quite sharply as recent bid speculation evaporated, Cadbury Schweppes dipping 11 to 248p.

A revival of currency worries in the face of yesterday's weakness in the dollar combined with last Friday's sharp reaction on Wall Street set the seal for an extremely sensitive day's trading in the International stocks. Glaxo, in particular mirrored the trend, falling away to 984p before recovering to close 9 off on the day at 994p.

Among the other US favourites, Reuters were hard hit and closed 20 cheaper at 488p. Rank Organisation dipped 12 to 675p but the volume of trade was only small. British Aerospace eased 3 to 352p awaiting tomorrow's preliminary figures.

Pearson, in contrast, provided one of the day's few bright spots, rising 15 to 675p in response to the announcement of annual pre-tax profits of £151.9m which were well above analysts forecasts ranging from £135m to around £140m.

Lucas Industries, a poor market last week on the £163m rights issue proposal, came under renewed selling pressure and dipped 14 to 554p. Jaguar gave fresh ground on worries about forthcoming industrial action to close 9 lower at 271p. H. & J. Quick provided an isolated bright spot among Motor Distributors, rising 12 to 292p ahead of tomorrow's preliminary statement.

Wall Street influences were mainly responsible for a setback in Reed International which dipped 8 to 388p. Otherso react for a similar reason included Saatchi, down 15 at 406p, and WPP, 13 cheaper at 498p. Carlton Communications gave up 18 to 730p despite favourable comment on the group's acquisition of Modern Video.

Properties gave a resilient performance given the nervous state of the equity market with the leaders recovering from an initial mark-down to close with modest gains on balance. The sector featured Hammerson A, an old takeover favourite, which gained 15 to 681p following the purchase by one securities house of 700,000 shares at slightly below 582p. On the other hand, Slough Estates came under selling pressure and closed 12 down at 263p despite revealing annual profits broadly in line with estimates and a slightly higher-than-expected asset value.

Textiles failed to escape the malaise with Allied reacting 10 to 350p and Tootal 3 further to 97p, the latter still being unsettled by last week's announcement of funding via a £54m rights issue.

Traded Option business contracted, the total number of contracts falling to 33,827 made up of 18,125 calls and 15,702 puts. Trading in the FTSE contract was quieter than on Friday, but there was active business in the near month out-of-the-money puts. FTSE calls amounted to 2,436 with puts coming out at 3,330. British Gas attracted 1,748 calls and 1,201 puts, while GEC registered 2,196 calls and 564 puts. Hanson calls totalled 1,071 with puts at 2,816.

Traditional Options

- First dealings Mar 28
- Last dealings Apr 15
- Last declarations June 30
- For Settlement July 11

For rate indications see end of London Share Service

A fairly brisk interest developed in the Traditional option market yesterday. Stocks to attract money for the call included Ultramar, British Petroleum partly-paid, Leigh Interests, Elswick, Asda Property.

Puts were arranged in Brent Walker and Sheraton Securities, but no double options were reported.

FINANCIAL TIMES STOCK INDICES

	Mar. 28	Mar. 25	Mar. 24	Mar. 23	Mar. 22	Year Ago	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
Government Secs	90.18	90.24	90.34	90.36	90.28	89.97	93.32 (8/5/87)	83.73 (19/10/87)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.68	97.61	97.52	97.72	97.52	97.71	99.12 (15/6/87)	90.23 (2/1/87)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1394.4	1408.3	1421.6	1459.8	1463.2	1582.2	1926.2 (16/7/87)	1232.0 (9/11/87)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	240.6	243.2	242.6	244.9	249.0	438.2	497.5 (4/8/87)	234.0 (29/2/88)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.66	4.62	4.58	4.45	4.44	3.71				
Earnings Yld. %(full)	11.86	11.75	11.65	11.32	11.29	8.45				
P/E Ratio (net)(*)	10.29	10.37	10.47	10.77	10.80	14.54				
SEAQ Bargains (5pm)	34,585	31,584	33,292	30,848	31,413	54,984				
Equity Turnover (£m)	-	1324.09	1401.10	1011.20	958.05	1339.96				
Equity Bargains	-	37,897	37,777	38,239	37,905	65,760				
Shares Traded (ml)	-	478.3	516.1	443.7	420.1	564.1				

S.E ACTIVITY

Indices	Mar.25	Mar.24
Gilt Edged Bargains	125.9	112.8
Equity Bargains	245.5	244.8
Equity Value	2676.3	2831.9
5-Day average		
Gilt Edged Bargains	122.8	125.5
Equity Bargains	245.9	254.7
Equity Value	2267.7	2281.5

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1396.3	1397.8	1395.9	1398.8	1394.0	1388.9	1388.1	1390.2

Day's High 1401.1 Day's low 1387.8

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974. * Nil=10.18.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

NEW HIGHS AND LOWS FOR 1987/88

NEW HIGHS (6).
BRITISH FUNDS (2) Transport 3pc '78-88, Treasury 5pc '86-89, LOANS (2) N'wide Anglia 9¾pc 28.12.88, Do 9⅞pc 23.1.89, BUILDINGS (1) Shorco Grp., TRUSTS (1) St. David's Inv. Tst. Inc.

NEW LOWS [illegible]
AMERICANS [illegible] CANADIANS [illegible] BANKS [illegible] BUILDINGS [illegible] STORES [illegible] ELECTRICALS [illegible] ENGINEERING [illegible] FOODS [illegible] INDUSTRIALS [illegible] LEISURE [illegible] PAPERS [illegible] PROPERTY [illegible] TRUSTS [illegible] OILS [illegible] MINES [illegible] THIRD MARKET [illegible]

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

		Mon Mar 28 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (27%))	Est. P/E Ratio (Net)	xd adj. 1988 to date	Fri Mar 25 Index No.	Thu Mar 24 Index No.	Wed Mar 23 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (209)	735.67	-0.9	10.23	4.12	12.26	4.47	742.55	749.24	770.29	862.41
2	Building Materials (30)	987.74	-1.0	10.12	3.86	12.28	1.21	998.11	1004.13	1042.92	1074.87
3	Contracting, Construction (34)	1536.50	-0.4	9.26	3.33	14.33	3.84	1543.43	1565.74	1606.36	1463.49
4	Electricals (11)	1971.88	-0.2	10.45	5.14	12.11	1.20	1974.84	2010.66	2059.72	2142.89
5	Electronics (32)	1484.14	-0.4	11.14	3.69	11.71	11.75	1490.68	1513.62	1532.44	1096.97
6	Mechanical Engineering (58)	381.61	-1.1	10.13	4.58	12.48	1.79	386.05	388.73	400.52	405.68
8	Metals and Metal Forming (7)	439.79	-1.8	9.75	4.09	12.37	0.00	448.00	448.94	464.98	470.80
9	Motors (13)	264.46	-1.7	12.41	4.69	9.41	3.85	269.14	270.77	282.17	330.32
10	Other Industrial Materials (24)	1220.22	-1.2	9.30	4.63	12.80	15.91	1234.87	1239.47	1274.59	1476.22
21	CONSUMER GROUP (185)	1023.85	-1.4	8.86	3.68	14.38	3.86	1038.28	1040.25	1075.47	1162.36
22	Brewers and Distillers (21)	1048.98	-0.2	10.55	3.73	11.97	4.24	1050.97	1062.01	1086.39	1062.18
25	Food Manufacturing (23)	811.81	-1.7	9.89	4.21	12.93	7.61	826.16	834.53	842.80	883.23
26	Food Retailing (16)	2033.48	-1.8	7.90	3.14	17.84	7.65	2070.89	2082.64	2127.10	2154.49
27	Health and Household Products (10)	1764.39	-0.8	6.89	2.76	17.20	0.45	1779.03	1787.29	1859.33	2248.18
29	Leisure (31)	1239.63	-1.0	7.96	3.80	16.16	9.64	1252.71	1269.68	1306.25	1257.82
31	Packaging & Paper (16)	490.18	-1.5	8.65	3.82	15.19	2.18	497.63	500.78	512.16	606.03
32	Publishing & Printing (16)	3381.04	-2.1	6.76	4.42	18.60	4.21	3452.20	3507.63	3599.64	3555.97
34	Stores (34)	789.64	-2.3	9.66	3.92	13.80	1.44	808.04	817.64	843.69	973.789
35	Textiles (18)	557.42	-1.2	12.41	4.49	9.26	0.34	564.39	570.09	578.95	718.91
40	OTHER GROUPS (93)	859.80	-1.7	11.17	4.45	11.15	4.08	874.44	882.08	906.24	982.492
41	Agencies (19)	1107.43	-2.6	7.31	2.38	17.65	8.04	1137.39	1151.21	1191.52	1425.74
42	Chemicals (20)	991.68	-1.8	12.12	4.98	10.10	18.33	1009.77	1011.81	1035.37	1238.93
43	Conglomerates (14)	1137.68	-1.0	10.24	4.64	11.39	3.27	1149.38	1165.92	1198.35	1283.22
45	Shipping and Transport (12)	1887.98	-1.3	9.97	4.58	13.08	2.66	1911.93	1946.38	1992.59	1985.11
47	Telephone Networks (2)	942.78	-1.2	11.42	4.49	11.66	0.00	954.36	960.14	981.71	978.311
48	Miscellaneous (26)	1131.74	-2.8	13.51	4.57	8.81	0.69	1164.59	1172.78	1217.40	1363.44
49	INDUSTRIAL GROUP (487)	915.10	-1.3	9.85	4.01	12.79	4.24	927.61	936.16	961.35	1049.01
51	Oil & Gas (13)	1767.13	-0.8	9.92	5.90	12.55	37.52	1781.37	1799.47	1838.26	1884.20
59	500 SHARE INDEX (500)	987.06	-1.3	9.86	4.28	12.75	7.01	999.76	1009.11	1035.48	1119.78
61	FINANCIAL GROUP (122)	656.93	-0.7	-	5.01	-	7.67	661.81	668.07	684.50	680.07
62	Banks (8)	644.39	-0.1	23.55	6.32	5.71	15.42	645.24	653.72	672.20	718.11
65	Insurance (Life) (8)	958.99	-1.8	-	5.19	-	5.76	976.96	978.28	1001.06	960.973
66	Insurance (Composite) (7)	508.44	-1.1	-	5.76	-	5.78	514.11	515.64	531.64	531.68
67	Insurance (Brokers) (7)	830.09	-0.5	14.52	7.78	8.77	16.98	834.18	845.34	852.14	1193.84
68	Merchant Banks (11)	344.29	-1.1	-	4.19	-	1.82	347.97	351.36	356.55	378.18
69	Property (51)	1096.23	-0.6	5.02	2.84	25.47	1.90	1102.33	1118.19	1143.90	957.33
70	Other Financial (30)	387.38	-0.9	9.99	4.41	12.57	2.66	390.72	393.07	400.42	465.39
71	Investment Trusts (82)	858.74	-1.2	-	3.07	-	5.24	868.71	868.75	885.00	975.83
81	Mining Finance (2)	435.97	-2.5	10.43	3.95	10.80	2.81	447.37	452.66	465.46	436.69
91	Overseas Traders (8)	976.60	-2.5	10.58	5.53	11.29	14.93	1002.83	1015.40	1030.71	985.81
99	ALL-SHARE INDEX (714)	898.61	-1.2	-	4.36	-	7.82	909.64	918.23	941.71	1004.17

	Index No.	Day's Change	Day's High	Day's Low	Mar 25	Mar 24	Mar 23	Mar 22	Mar 21	Year ago
FT-SE 100 SHARE INDEX ♦	1746.5	-21.4	1756.7	1738.3	1767.9	1782.7	1832.2	1835.4	1841.1	2002.5

FIXED INTEREST

	PRICE INDICES	Mon Mar 28	Day's change %	Fri Mar 25	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	123.11	+0.03	123.08	-	3.19
2	5-15 years	141.39	+0.03	141.55	0.20	2.95
3	Over 15 years	150.06	+0.03	150.01	-	4.16
4	Irredeemables	168.66	+0.24	168.26	-	1.54
5	All stocks	137.80	+0.03	137.87	0.10	3.19
	Index-Linked					
6	5 years	125.26	+0.34	124.83	-	0.51
7	Over 5 years	117.45	+0.15	117.28	-	0.88
8	All stocks	117.93	+0.17	117.74	-	0.85
9	Debentures & Loans	119.74	+0.01	119.73	-	1.78
10	Preference	88.71	-0.07	88.77	-	1.39

	AVERAGE GROSS REDEMPTION YIELDS		Mon Mar 28	Fri Mar 25	Year ago (approx.)
	British Government				
1	Low	5 years	8.67	8.60	8.14
2	Coupons	15 years	9.12	9.12	9.14
3		25 years	8.96	8.97	9.16
4	Medium	5 years	9.18	9.18	9.18
5	Coupons	15 years	9.30	9.30	9.32
6		25 years	9.14	9.14	9.32
7	High	5 years	9.26	9.27	9.29
8	Coupons	15 years	9.45	9.45	9.43
9		25 years	9.20	9.20	9.24
10	Irredeemables†		8.97	9.00	9.12
	Index-Linked				
11	Inflation rate 5%	5yrs.	2.39	2.51	2.56
12	Inflation rate 5%	Over 5 yrs.	3.85	3.85	3.32
13	Inflation rate 10%	5 yrs.	1.37	1.49	1.93
14	Inflation rate 10%	Over 5 yrs.	3.68	3.68	3.18
15	Debs &	5 years	10.87	10.83	9.81
16	Loans	15 years	10.72	10.69	10.13
17		25 years	10.72	10.69	10.17
18	Preference†		10.44	10.42	10.71

♦Opening index 1750.6; 10 am 1752.0; 11 am 1751.1; Noon 1753.8; 1 pm 1745.8; 2 pm 1739.9; 3 pm 1739.9; 3.30 pm 1740.5; 4 pm 1741.8

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allied Lyons (*368)	330	40	48	55	3	9	12
	360	18	30	38	9	23	25
	390	6	15	22	28	38	42
Brit. Airways	140	25	28	31	1	7	10
[illegible]							

Option		Calls May	[illegible]
LASMO (*343)	300	49	[illegible]
	330	28	[illegible]
	360	16	[illegible]
P. & O.	550	42	[illegible]
[illegible]			

March 28 Total Contracts 33,827 Calls 18,125 Puts 15,702
FT-SE Index Calls 2,436 Puts 3,330
*Underlying security price.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA-MFI	1,100	Enterprise Oil	1,300	Prudential	858
Allied-Lyons	3,500	Fisons	1,200	Racal	1,200
Amstrad	1,200	General Accident	568	Rank Org.	323
Argyll Group	2,100	General Elect.	8,900	RMC	524
Assoc. Brit. Foods	233	Glaxo	2,900	RHM	197
BAA	2,900	Globe Investment	251	Reckitt & Colman	689
BAT	2,600	Granada	554	Redland	953
BET	872	Grand Met	1,200	Reed Intl.	2,000
BICC	873	GUS "A"	185	Reuters "B"	1,200
BOC	514	Guardian R.E.	251	RTZ	1,000
BPB Inds	584	GKN	1,000	Rolls-Royce	2,800
BTR	3,700	Guinness	1,100	Rothmans "B"	1,500
Barclays	1,500	Hammerson	1,200	Rowntree	1,100
Bass	686	Hanson	4,200	Ryl Bank Scotland	1,100
Beecham	3,000	Hawker Siddeley	805	Royal Insurance	3,000
Blue Arrow	2,100	Hillsdown Holdings	1,100	STC	1,400
Blue Circle	2,000	IMI	1,500	Saatchi & Saatchi	647
Boots	1,200	ICI	3,200	Sainsbury	1,800
Brit. Airways	1,800	Jaguar	2,200	Scott & Newcastle	890
Brit. Aerospace	1,500	Ladbroke	2,400	Sears	3,100
Brit. & Comm.	1,200	Land Securities	532	Sedgwick	1,900
British Gas	10,000	Laporte	331	Shell Transport	1,200
BP	2,900	Legal & General	972	Smith & Nephew	1,700
Brit. Telecom	3,500	Lloyds Bank	1,700	Standard Chart.	737
Bunzl	1,500	LASMO	1,400	Storehouse	1,700
Burmah Oil	787	Lonrho	710	Sun Alliance	351
Burton	1,600	Lucas	723	T & N	952
Cable & Wireless	2,400	MEPC	609	TSB	4,100
Cadbury Schweppes	2,700	Marks & Spencer	3,200	Tarmac	864
Coats Viyella	1,400	Maxwell Comm.	460	Tesco	2,600
Commercial Union	2,100	Metal Box	395	THORN EMI	958
Cons. Gold	549	Midland Bank	1,800	Trafalgar House	1,100
Cookson	796	NatWest Bank	1,600	Trusthouse Forte	785
Courtaulds	1,500	Next	878	Ultramar	1,700
Dalgety	350	Northern Foods	598	Unilever	2,000
Dee Corporation	1,100	Pearson	557	United Biscuits	1,700
Dixons Group	2,700	Pearl Group	181	Wellcome	831
English China Clays	380	P & O	1,700	Whitbread "A"	546
		Pilkington	2,600	Woolworth	1,900
		Plessey	2,300		

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	49	40	25
Corporations, Dominion and Foreign Bonds	24	10	17
Industrials	108	1,037	424
Financial and Properties	48	337	259
Oils	10	58	41
Plantations	0	7	6
Mines	22	102	80
Others	27	158	88
Totals	288	1,749	940

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1987/88 High	1987/88 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
215	F.P.	8/4	278	218	AMI Healthcare 20p	256	-4	s5.0	2.9	2.7	17.4
-	F.P.	-	93	19	Aberdeen Amer Pvt.10p	33					
[illegible]											

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NETHERLANDS (continued)

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWEDEN (continued)

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

CANADA

TORONTO
Prices at 2.30pm
March 28

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 3pm prices

Continued from Page 47

[illegible]

Stock	Sales (Hnds)	High	Low	Last	Chng
RoyGld	52 12	3⅝	3⅝	3⅝	
Roylpre	33 137	4⅝	4½	4⅝	− ⅛
RyanFs	22 2315	7⅛	6⅞	7⅛	+ ⅛
S S					
SCI Sys	15 2630	13⅜	12½	12⅝	− ¾
SCORU	6 90	8⅛	8	8	−1
SEIs	22 24	16½	16¼	16½	+ ¼
ShL Sys	227	15	14⅝	15	+ ⅛
SPIPh .07	9 11	7¾	7½	7½	− ¼
Safecds	9 1755	7⅞	7⅝	7¾	− ⅛
Safecos .96	6 1161	23¾	d23	23½	
SageSR	12 100	6⅜	5⅞	5⅞	− ¼

Stock	Sales (Hnds)	High	Low	Last	Chng
UtdSvrs .72	6 403	19¾	19¼	19⅜	− ⅜
USBcp 1	9 340	24⅝	24⅜	24½	
US HBC .16	209 664	8½	8⅛	8⅜	
USTrst 1.16	13 152	44¾	44¼	44¼	− ⅝
UStatn .28	20 121	22¼	21½	21½	− ¼
UnTelev	41 86	25¼	25⅛	25⅛	− ⅛
UnvFrs .12	13 35	15½	15¼	15½	− ¼
UnvHlt .33e	275 583	5⅝	5¼	5½	
UnvMed.30a	10 664	5 1-16	4 13-16	4 15-16	− ⅛
V V					
VBand 1e	5 x202	17¼	16½	17¼	− ½

Stock	Sales (Hnds)	High	Low	Last	Chng
Wyse	10 1173	19⅛	18½	19⅛	+ ⅛
X Y Z					
XOMA	357	11¾	11	11½	+ ⅜
Xicor	25 1894	8⅛	7¾	8	− ⅛
Xidex	352	6	5⅞	6	
Xylogic	10 178	12	11¾	11¾	
Xyvan	38 285	6½	5¼	6⅜	+ ⅛
YlowFs .62	20 981	28⅛	28¼	28⅝	−1
ZionUt 1.44	22	25¼	24¼	24¼	
Zondvn	39 154	8⅝	8	8⅛	
Zycad	21 12	3¾	3¾	3¾	

INDICES

NEW YORK — DOW JONES

[illegible]

CANADA

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		
Beauford	135	+ 10
Hammerson A	681	+ 15
LASMO	344	+ 9
NatWest Bank	568	+ 7
Pearson	675	+ 15
Wimpey (Geo.)	255	+ 11
FALLS		
Atlantic Comps.	385	− 15
Body Shop	475	− 35
Cable & Wireless	319	− 7
Cadbury Schweppes	248	− 11
ICI	999	− 20
Lucas Inds.	554	− 14
Marks & Spencer	166	− 5
Rank Org.	675	− 12
Reed Intl.	388	− 8
Reuters B	488	− 20
Royal Insurance	387	− 12
Slough Ests.	283	− 12
Standard Chartered	425	− 15
Underwoods	133	− 7

TOKYO - Most Active Stocks
Monday, March 28, 1988

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	176.96m	478	+20 Ex-D
Sumitomo Metal	122.25m	398	+15 Ex-D
Kawasaki Steel	89.36m	398	+22 Ex-D
Ishikawajima-Harima Heavy Industries	72.60m	920	+50 Ex-D
Nissan Motor	42.75m	926	+29 Ex-D
Nippon Kokan	40.71m	389	+14 Ex-D
Oji Paper	37.50m	1,460	+ 100 Ex-D
Sumitomo Heavy Industries	32.46m	635	+15 Ex-D
Nisshin Steel	24.09m	833	+16 Ex-D
Kobe Steel	19.68m	331	+2 Ex-D

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Prices at 3pm, March 28

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR s	.36	1.5	20	94	24¼	23½	23⅞	−⅛
38⅛	21	AFG s	.16	.5	14	1079	32⅝	32⅛	32⅝	+¼
27	10½	AGS s			14	170	17	16⅝	16⅝	−⅜
10½	4½	AMCA				12	4⅝	4½	4½	−⅛
8⅝	3¼	AM Intl				557	4⅛	3⅞	3⅞	−¼
65½	28¾	AMR			13	2772	41½	40¼	41⅛	+¼
12¼	6⅝	ARX			8	66	6⅝	6	6⅝	+⅛
73½	40⅞	ASA	3	6.6		400	45¾	45⅛	45¼	−⅜
22⅝	9½	AVX			13	341	16⅝	14⅞	15¼	−1⅛
66⅝	40	AbtLab 1.20		2.6	17	6310	46⅝	46	46¼	−⅛
28	15⅝	Abitibi g				30	19¾	19⅝	19⅝	−⅜
16¾	8½	AcmeC .40		3.2		277	12½	12⅛	12½	+¼
10½	6⅞	AcmeE .32b		4.3	20	38	7⅝	7⅜	7⅜	−¼
20	14⅛	AdaEx 3.05e		19.		109	16	15¾	16	+⅛
16¼	6⅞	AdamM .24		1.9	10	131	12⅝	12⅝	12⅝	−⅛
24⅞	7½	AMD				3514	11¼	10¾	11⅛	−⅛
11⅞	4⅝	Adobe			13	328	7¾	7½	7¾	+⅛
20½	16¼	Adob pf 1.84		10.		12	18¼	18¼	18¼	
21¾	17½	Adob pf 2.40		12.		4	20⅜	20⅜	20⅜	
64½	43½	AetnLf 2.76		6.4	6	2233	43⅞	d43¼	43⅝	−⅜
83½	41	AflPub .40		.6	38	338	63¼	62½	62½	−1
24¾	13	Ahmans .88		5.9	7	2128	15	14⅝	14⅞	
5⅜	1¾	Aileen				164	2½	2⅜	2½	+⅛
53⅞	29	AirPrd 1		2.2	14	x1616	46⅞	44½	44⅞	−2¼
36	11⅛	AirbFrt .60		3.5	19	77	17¼	17	17⅛	−⅛
16½	6¾	Airgas			17	245	13¼	12⅞	13	−½
19¾	13½	Airlease 2.30		12.	10	57	18⅞	18½	18⅝	−⅛
7-16	5-16	AlMoan			44	2	7-16	7-16	7-16	
10⅝	7⅝	AlaP dpt.87		9.4		18	9¼	9¼	9¼	−⅛
107	86½	AlaP pf 9.44		10.		z100	93¼	93¼	93¼	−¼
95	77	AlaP pf 8.28		9.8		z260	84½	83¾	84½	+¾
25¼	12¼	AlskAir .16		.9	24	643	17⅛	16¾	17	−¼
38	14¾	Alberto .30		1.0	20	75	32	31⅛	31⅛	−⅛
28¼	12⅝	AlbCul .430		1.3	15	133	23¾	23	23	−½
34	20¼	Albtsn s .56		2.0	16	450	28⅛	28	28⅛	−¼
37⅞	18	Alcan s .72		2.6	11	6799	28⅛	27½	27½	−¾
30	15¼	AlcoS s .68		2.7	19	895	25¾	25¼	25¼	−⅝
31⅜	15⅞	AlexAlx 1		4.5	15	1719	22⅝	22¼	22¼	−¾
59	34¾	Alexdr			734	1	51⅜	51⅜	51⅜	
92½	61½	AllegCp			8	12	72½	72	72½	−1½
24¾	2⅛	vjAlgInt				289	2¾	2⅝	2⅝	−⅛
88½	17⅛	vjAlgI pfC				3	17	d17	17	−⅛
34	15⅛	AlgLudn .30e		1.2	11	246	24½	24⅛	24¼	−⅜
43⅞	31⅜	AllgPw 3		8.0	9	400	37¾	37⅝	37⅜	−⅝
105⅞	55	Allegis			13	3032	81½	80⅝	80¾	−1
87	79¾	Allegi wd				1246	81¼	80½	80⅝	−1⅛
18¾	5½	AllenG				810	12¼	11¼	11⅞	+⅛
24⅞	9¼	Allen pf1.75		12.		58	14¾	14⅛	14½	−½
40	12⅜	AlldPd			12	24	19¾	19⅝	19⅝	−⅛
48¾	26	AldSgnl .80		5.8	9	1255	31½	31	31¼	−¼
3⅜	1	vjAllisC				118	1¼	1⅛	1⅛	−⅛
31¼	4¾	AlisC pf				1	6	5	5	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45½	27¼	Ball	.98	2.9	12	267	33	32⅛	32⅞	+⅛
27¾	10½	BallyMf .20		1.2	10	1848	16⅞	16¼	16½	−⅛
23¼	9¾	BaltBcp .50		3.3	8	683	15⅛	14⅝	15	+⅜
34	19	BaltGE 1.90		6.3	9	1424	30½	30⅛	30¼	−⅛
27⅜	16⅛	BncOne .82b		3.8	11	329	24¼	23⅞	24⅛	−¼
4¼	1⅛	BanTx n				67	1⅜	1½	1½	−⅛
83	42	Bandag .80		1.3	16	84	63½	62¾	62¾	−1½
38	17⅞	BkBost 1.08		4.6	236	729	23⅞	23½	23⅝	−⅛
52⅞	48	BkB pfB3.37e		7.0		1	48	48	48	
45⅞	24½	BkNY 1.80		5.9	10	902	31⅜	30⅝	30⅝	−⅞
13⅛	6⅜	BnkAm				3411	10½	10⅜	10½	
35	24½	BkA pf3.42e		11.		26	30⅞	30½	30¾	−⅛
59½	42	BkA pf 6e		11.		7	53¼	53	53	+⅛
9⅞	6⅛	BkA pf 2.88				75	7	6⅞	6⅞	−⅛
55¼	26¼	BankTr 1.86		5.9	1575	3380	32¼	31⅜	31½	−½
27¾	13⅜	Banner				23	14⅞	14⅞	14⅞	−⅛
42½	29	BarclayI .84e		5.1		1	36	36	36	
49⅝	25	Bard .48		1.2	18	255	39⅛	38¾	38¾	−⅝
40¼	26¼	BarnGp .20		3.4	13	40	35⅜	35½	35½	−⅛
41¾	27⅛	Barnet s .92		2.9	10	567	31⅞	31¾	31⅞	
19¾	9¼	BaryWr .60		4.3	14	38	14	13⅞	13⅞	−⅛
9	¾	vjBASIX				23	13-16	¾	¾	
29⅞	12¾	BattMt s .10		.6	23	418	17	16⅝	16⅞	−⅛

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 47

NYSE COMPOSITE PRICES

Continued from Page 46

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17½	7	WyleL s	.28	3.0	16	12	9⅜	9¼	9¼	
30⅝	14⅛	Wynns	.60	2.9	44	6	20⅞	20¾	20¾	−¼
65	50	Xerox	3	5.8	10	2205	54½	53¼	53⅝	−1¼
50¾	48⅝	Xerox pf4.13		8.4		1	49⅝	49⅝	49⅝	−¼
34⅝	19⅛	XTRA	.64	2.1	15	101	31½	30½	30⅝	−1¼
29½	19½	XTRA pf1.94		7.0		50	27⅞	27⅞	27⅞	−⅜
42¾	17½	Yorkln			14	1859	38¾	37¾	38½	−1
7¼	2¼	Zapata				183	3¼	3⅛	3⅛	−⅛
37	13½	Zayre	.40	1.8	10	2722	22½	21½	22	
16⅛	8¾	Zemex	.40	3.1	17	17	12⅞	12¾	12⅞	−⅛
33⅝	10	ZenithE				2262	19½	18¾	19	−¾
13⅛	2½	ZenLab				416	2⅞	2¾	2¾	
24	13½	ZenNtl	.80	4.0	10	271	20¼	20	20¼	−⅛
20⅝	11⅝	Zero	.36	2.5	15	77	14⅝	14⅜	14½	−¼
30¾	15	Zurmin s	.88	3.9	14	95	20⅞	20⅝	20⅝	−⅛
10⅝	7⅝	Zweig	1.34	14.		1042	9⅞	9¾	9¾	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, March 28

OVER-THE-COUNTER

Nasdaq national market, 3pm prices

Continued on Page 45

AMERICA

Sighs of relief as early losses pared

Wall Street

SHRUGGING OFF the lower dollar, the equity market managed to stabilise yesterday morning after opening in a distinctly bearish tone, *writes Anatole Kaletsky in New York.*

At 1pm, the Dow Jones Industrial Average stood 3.32 lower at 1,975.63, and sighs of relief were audible all over Wall Street. After the stockmarket's 108-point decline last week and the depth of the dollar's fall in the Far East over the weekend, many traders had braced themselves for much bigger losses – and their fears seemed to be confirmed in the first few minutes trading, as the Dow fell almost 20 points immediately after the opening bell.

The dollar had declined in Asian trading almost to the Y123 mark, its lowest level since the central banks sprang their celebrated bear trap against currency speculators in the first days of January. With no clear evidence of a significant new dollar-support operation by the Federal Reserve and the Bank of Japan, bond prices tumbled and the stage seemed to be set for another bad day all round.

However, with the equity market appearing to find a floor at around 1,960 on the Dow, the bargain hunters began to come forward.

In Chicago, meanwhile, futures also began to stabilise and there was no sign of the kind of gaps emerging between futures and physical stock prices which would have given rise to bearish stock index arbitrage. Among the most important factors weighing against the fears of a lower dollar was the hope that stock prices might be due for a healthy rebound if the market was able to survive the current bout of nerves.

With the October crash still fresh in investors' memories, the level of nervousness in the market is being seen as a strongly bullish indicator by some contrarian analysts.

The ability of the Tokyo market to rebound strongly on Monday morning has also raised hopes that last week's setbacks in equity prices around the world may have been more in the nature of a temporary correction than the start of a major new bear phase.

The bond market, too, was caught between the generalised fears about a declining dollar and the absence of any solid evidence that inflation is threatening to get out of control. Yesterday morning, the bears in the bond market had gained the upper hand and the Treasury's long bond fell ¾ points to 101⅜ by lunchtime. At this price, its yield stood at 8.748 per cent.

However, there was no evidence of the extreme nervousness in the bond market which might have been expected after the dollar's poor showing in the foreign exchanges.

Among the individual stocks on Wall Street, there were few significant price movements, given the flatness of the overall market.

IBM, which has been one of the worst performers among the blue chips since the October crash, gained $¾ to $107⅞ in fairly heavy trading. Digital Equipment, the second biggest computer stock also put in a strong performance, with a gain of $1¼ to $105¾.

Merck, which has been one of the highest flying of the big capitalisation blue chip stocks since the crash, declined $1¼ to $160¾.

Among the bid stocks, Irving Bank fell $1¾ to $63¾ after announcing a modification of its poison pill anti-takeover plan in order to deter the possibility of a "street sweep" of its shares in the market by the Bank of New York.

Federated Department Stores was unchanged at $69 after it said that it expected a final resolution on Wednesday in the bidding contest between Macy's and Campeau.

Koppers, which won a legal victory against Britain's Beazer plc but simultaneously disclosed that it was speaking to other potential bidders, fell $¾ to $57¾.

Kansas City Southern declined $1¾ to $50¾ after rejecting a proposal to hold takeover talks with Mr Howard Kaskel, a New York property developer and investors.

Canada

GOLDS and energy issues led a broad decline in quiet midday Toronto trading.

The composite index, which had dropped about 28 points in earlier trading, lost 13 to 3367.90. Declines outran advances by 381 to 216 on turnover of 9.7m shares.

Canadian Pacific topped the list of the most active stocks, slipping C$⅝ to C$23¼. Among other active stocks, Alcan Aluminium dropped C$¾ to C$34⅞ and Polysar Energy was unchanged at C$17¼.

Varity Corp, which said it will buy a division of TRW for an undisclosed price, gained 15 cents to C$3.80.

SOUTH AFRICA

A THIN market left gold stocks slightly down with investors reluctant to take positions despite a firmer bullion price. Volumes were low and foreign investors preferred to stay on the sidelines.

Vaal Reefs firmed R1 to R254 against the trend but Kloof slid 75 cents to R31.50, Elandsrand was down 15 cents to R15.75 and Randfontein slipped R1.50 to R233.

Diamond share De Beers traded ex-dividend, falling R1.50 to R28.10. Among mining houses, Anglo American fell 25 cents to R48.75 and Gencor lost R1.75 to R45.

Industrials were lethargic. Barlow Rand eased 25 cents to R19.50. Sasol held steady at R8.85 and Messina firmed 20 cents to R11.20.

Securities firms prove winner in global performance stakes

BY ALISON MAITLAND IN LONDON

A HUGE jump in the share prices of Japanese investment banks and securities firms has turned the financial services industry into the world's best performing sector during this year's unsteady recovery from the traumas of October.

Last week's sharp falls in global markets have dampened most of the world sectors shown in the accompanying table. But financial institutions and services still managed a 36 per cent rise between January and the close of trade last Friday, trebling the 12 per cent recovery in the world market as a whole.

The automobile sector, though hit in last week's downturn, has also outperformed since January despite fears the industry would suffer badly if consumer spending shrank after the crash.

Car stocks have found strong demand in most countries, but the rebound in the financial services industry has been virtually a one-market story.

Financial services firms in Japan have a weighting of 76 per cent within the world sector thanks to their huge market capitalisations. Enthusiastic buying of these stocks – which include giants like Nomura and Daiwa Securities and Mitsubishi and Sumitomo Trust Banks – has driven the sector up by 50 per cent in Japan. That compares with increases of less than 6 per cent in the US and UK.

Like their counterparts elsewhere in the world, shares in Japanese securities houses were savaged in the crash, plunging 38 per cent – more than any other market sector – in the final quarter of last year. Part of their rally is therefore technical, but they have also benefited from the improvement in prices and volumes in the Tokyo market, which before last week's setback had recovered to its pre-crash level, rising 20 per cent since January.

Lower interest rates and falling bond yields have helped. And analysts say that securities firms and other financial institutions have also been popular because investors believe they will win new business when the *maruyu* tax-breaks on Japanese personal savings accounts are abolished at the end of this month.

The world finance and insurance sector has itself risen 18.5 per cent, thanks largely to Japanese strength. But a remarkable contribution has come from Belgium, where the sector is up 76 per cent, powered by a 268 per cent leap in the share price of holding company Société Générale de Belgique, the target of a long and bitter battle for control.

Car stocks, up 18 per cent, were badly dented in the crash, suffering a 29 per cent reverse in the last quarter of 1987 as international investors dumped their most liquid and potentially most vulnerable shares.

Their recovery has been fuelled partly by their cheapness and partly by buoyant car sales.

Sales of new cars in western Europe rose by 11.5 per cent in the first two months of this year. Spanish car sales, up 28.7 per cent, have been the motor behind a 45 per cent jump in Madrid car stocks.

The US car market is looking better than feared, and the Japanese have adapted to the lower dollar and are benefiting from the current consumer boom, motor industry analysts say.

Other world sectors that have outperformed this year are wholesale trade, where the Japanese predominate, and non-oil energy, which includes many oil service companies.

"These are recovery stocks," said Mr Graham Andrews, energy analyst with brokers County NatWest/Wood Mackenzie. "These companies have had a disastrous time for the last two to three years, with the weak oil price. There are now some signs of light."

Heavy engineering and shipbuilding stocks are up 33 per cent, with Japanese companies again playing a large part. Lower interest rates have eased their heavy debt burdens, and construction projects such as the Tokyo Bay redevelopment scheme have focused attention on stocks that are expected to benefit, like Ishikawajima-Harima Heavy Industries.

If such strong performances appear out of tune with the current mood of uncertainty in the world's markets, then the precious metals sector is a reminder of the other side of the coin.

The plunge in gold bullion to a low of $423 last month has seriously undermined gold stocks in Canada, Australia and South Africa and has left the sector 13 per cent down, with the dubious honour of being the worst laggard so far this year.

PERFORMANCE OF MAJOR WORLD SECTORS (percentage change in local currency terms comparing fourth quarter 1987 and first quarter 1988 to date)

SECTOR	IV '87	I '88
Finance/ins	-25.8	18.5
banks	-20.0	17
finan inst	-36.5	38.3
insur-life	-25.1	7.9
insur-mult	-23.8	10.4
property	-32.3	17.2
holding cos	-32.1	12
Energy	-24.7	12
oil	-23.9	11.5
other	-32.7	19.1
Utilities	-15.3	8.3
Trans/Storage	-22.8	15.3
Cons Goods/Serv	-24.1	10.5
cars	-28.5	17.8
durables	-23.8	17.5
cons goods/serv	-30	6
text/apparel	-30.5	15.2
bev/tobacco	-23.4	6.7
health/pers care	-23.8	10.3
food/grocery	-19.2	6
enter/leisure	-24.6	7.8
media	-21.6	4.9
bus. serv	-25.4	6
retail	-24.4	12
wholesale	-22.4	23.7
Capital Gds	-25.4	9
aerospace/def	-27.3	13.8
office gds	-24.6	0.7
electrical gds	-27.2	3.1
electronics	-27.3	14.1
machinery/eng	-21.2	11.9
car parts	-21.1	15.5
indus manuf	-26.5	9.7
hvy eng/shipbldg	-20.6	33.1
Basic Industry	-24.9	8.4
construc/bldg mat	-23.6	10.8
chems	-25.2	7.6
metals/minerals	-25.4	13.5
precious metals	-28	-13.2
forestry/paper	-22.6	7.5
fabr metal	-26.6	15.6
Market	-24.2	12.1

Figures from Wood Mackenzie based on FT-Actuaries World Indices

EUROPE

Sellers come out in force following falls on Wall St

CONCERN over the direction of Wall Street following its sharp falls last week took markets lower around Europe yesterday, with investors either sidelined or taking profits after recent strong rises. The lower dollar also hit sentiment, *writes Our Markets Staff.*

FRANKFURT finished lower as the combination of a weaker dollar and lower Wall Street stocks convinced investors to reduce their holdings.

The dollar ended at DM1.664, after DM1.676 on Friday, hitting blue chip international shares such as Daimler, off DM13.50 at DM637, and BMW, DM9 lower at DM490.

VW also fell, losing DM1 to DM239, but remained above the Government's DM238 offer price.

Foreign investors and professionals were out selling yesterday, and the FAZ index ended 11.95 lower at 440.92. Volume was low, hit also by the onset of Easter.

Bonds closed about 15 pfg higher, giving a yield on 10-year bonds of around 6.19 per cent.

MILAN was hit by profit-taking following recent strong gains, and by position-squaring in the run-up to settlement day on Thursday. The MIB index closed down 3.2 per cent.

Sentiment was also affected by previous losses on Wall Street and in London, as well as the weakness of the dollar.

Industrial blue chips were *among the main losers. Fiat fell* L256 to L9,050 and slipped later in after-hours trade to L8,935, a drop of 4 per cent.

Banco di Roma, which said it would not make a dividend payment after just breaking even last year, plunged L680, or 11.6 per cent, to L6,010. Insurance leader Generali closed down L2,630 at L86,520.

De Benedetti group companies were hit by worries that the Italian financier would fail to gain control of Société Générale de Belgique. Holding company Cir slid L229 to L5,901 and Olivetti shed L480 to L10,200.

AMSTERDAM took its cue from the falls on Wall Street and in the dollar, and ended the day lower on profit-taking.

The midday ANP-CBS general index slid 5.5, or 2.3 per cent, to 236.4, while the closing all-share index lost 2 to 80. *Internationals* were all lower, with KLM falling Fl 1.40 to Fl 34.50 and Philips sliding 70 cents to Fl 27.70.

Bakery company Meneba resumes trading today after being suspended on Friday pending yesterday's agreed bid from Australia's Goodman Fielder, *worth Fl 105 a share.*

Buehrmann-Tetterode lost Fl 1.50 to Fl 43 on news of plans to sell or close its loss-making French subsidiary Les Papéteries de Romainville, and on a potential co-operation agreement with Oce-Van der Grinten.

PARIS retreated on general concern about the near-term prospects for global markets, with volume estimated at about FFr650m, well down on last month's FFr1.5bn daily average.

The dollar's decline and uncertainty in the run-up to the presidential elections also hit sentiment, and there were reports of sales by French mutual funds.

Lafarge Coppée dropped FFr35 to FFr1,095 after news of higher 1987 profits. Pernod-Ricard, which posted a 17 per cent increase in its annual profits, dropped FFr36 to FFr664.

ZURICH closed sharply lower in active trading with all sectors hit by the dollar's decline. Some blue chips posted losses up to 9 per cent and the all-share index ended 36.2 lower at 793.5, a fall of 4.3 per cent.

Hoffmann-La Roche baby certificates fell SFr700 to SFr10,050 and Ciba-Geigy bearers were down SFr200 at SFr2,575.

In foods, Jacobs Suchard and Nestlé bearers were each SFr325 lower at SFr7,800 and SFr8,300 respectively. Airline Swissair bearers fell SFr75 to SFr1,030.

BRUSSELS ended easier as the lower dollar and a weak Wall Street prompted some selling in a moderate market. The index fell 73.51 to 4,886.97.

Delhaize shares continued to level out after the rapid rise earlier this month on bid rumours and closed at *BFr4,500*, down BFr150.

STOCKHOLM was influenced by falls in other stock markets and ended lower, with the Affaersvaerlden general index dropping 17.5 to 774.

Swedish Match, facing a takeover by Stora, saw the most *trading and ended the day unchanged* at SKr138. Stora was SKr7 lower at SKr373.

MADRID was dominated by sell orders from cautious investors and ended lower in quiet trading. The all-share index fell 4.65 to 269.37.

Ebro fell 2,125 percentage points to 3,550 per cent of nominal market value after a Madrid court suspended the bid for it from the Kuwait Investment Office subsidiary Torras Hostench. Torras fell 40 to 2,410.

London

A PRE-OCCUPATION with Wall Street and concern over the dollar kept leading investment funds out of the London market yesterday.

The FT-SE 100 index fell for its sixth consecutive session to close 21.4 lower at 1,746.5, having rallied from a 30 point drop when Wall Street managed to reduce its opening loss.

Dollar-earning shares such as Glaxo, BAT Industries and ICI were all hit, although Beecham benefited from Japanese buying following leaked reports on trials of rival Genentech's heart drug.

ASIA

Yen's rise is shrugged off as Nikkei soars

Tokyo

INVESTORS shrugged off the yen's renewed rise against the dollar and stepped up buying of large-capital stocks in Tokyo yesterday, sending prices soaring after three days of falls, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average closed 301.99 points higher at 25,622.71 after moving between a high of 25,628.40 and a low of 25,301.87. Volume increased to 1.2bn shares from Friday's 719m. Advances surpassed declines by 565 to 269, with 119 *issues* unchanged.

Given that a number of issues were traded ex-dividend and ex-rights, the Nikkei average in effect gained 356 points.

With the start of trading for delivery in April, brokerage house dealers, business corporations and individual investors increased their buying, in spite of the yen's rise to a three-month high against the dollar. Interest was widespread, but there appeared to be no significant institutional buying, according to a top securities house.

Yesterday's trade saw Nippon Steel topping the active list with 177m shares and jumping Y20 to Y478. Sumitomo Metal Industries, second busiest with 122.3m shares, ended Y15 higher at Y398. Kawasaki Steel, third with 89.4m shares, gained Y22 to Y398.

Oji Paper, a recent underperformer, rose Y100 to a record Y1,460 on 37.5m shares.

Nissan Motor, reporting brisk sales of luxury cars, closed Y29 higher at Y929 on 42.8m shares.

Export-oriented high-tech issues ignored the yen's sharp rise. Large-capital chemicals were popular after reporting good business performances and biotechnology issues also fared well.

Bond trading shrank in spite of the yen's gain against the dollar – a factor that has recently boosted the bond market.

The yield on the benchmark 5.0 per cent government bond, maturing in December 1997, moved in a narrow range and ended at 4.495 per cent, unchanged from last week's close. Daily trading volume on the over-the-counter market dwindled to Y350bn, less than one-third of usual levels.

Osaka Securities Exchange prices closed higher for the first time in six trading days, with the OSE average ending 215.09 points higher at 25,674.28. Volume was 167m shares, down 6.5m shares from Friday.

Australia

NERVOUSNESS about London and New York pushed share prices down in low turnover, with the All Ordinaries index dropping 44 to 1,380.7.

But there was little evidence of selling by institutions or overseas investors.

Transport, bank and media stocks were worst hit in industrials. TNT lost 20 cents to A$4.20 and Brambles 32 cents to A$8.78.

Goodman Fielder Wattie, which announced a bid for Dutch bakery company Meneba, lost 12 cents to A$2.38 on 4.26m shares traded.

Heavyweight resource stocks were sharply lower.

Hong Kong

OVERSEAS institutions started selling early, to be joined by individual investors and fund managers eager to take profits, and the Hang Seng index fell 35.15 to 2,466.78.

Sentiment was hit by previous falls on Wall Street and many investors remained sidelined.

Jardine Strategic lost 30 cents to HK$8.05 after reporting a sharp rise in annual profits and Jardine Matheson ended unchanged at HK$11.50 in heavy trading amid revived rumours it is to sell its stake in Hongkong Land, off 5 cents at HK$7.40.

Singapore

INSTITUTIONS stayed mainly on the sidelines, awaiting a lead from Wall Street. The Straits Times Industrial index closed 30.38 lower at 925.22, after opening sharply lower in response to Friday's fall in New York.

Shipping group NOL, which has risen recently on expectations of good results, fell 4 cents to S$1.40 on turnover of 1.5m shares. DBS Land eased 1 cent to S$1 with 1.4m shares traded.

OCBC shed 15 cents to S$6.60 and UOB 12 cents to S$4.84, in spite of their good annual results.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY MARCH 25 1988					THURSDAY MARCH 24 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987/88 High	1987/88 Low	Year ago (approx)
Australia (89)	116.59	−2.8	94.12	105.15	4.03	119.90	96.43	107.46	180.81	85.36	121.82
Austria (16)	92.06	−0.6	74.32	80.10	2.62	92.59	74.46	80.71	102.87	84.35	93.50
Belgium (48)	136.28	−0.7	110.02	118.30	4.04	137.27	110.40	119.33	139.89	94.63	116.90
Canada (126)	120.46	−1.2	97.24	108.42	3.04	121.96	98.08	109.77	141.78	98.15	132.95
Denmark (38)	118.87	+0.3	95.96	103.80	2.77	118.55	95.34	103.80	124.83	98.18	114.06
Finland (23)	124.56	−0.4	100.55	105.45	1.89	125.01	100.54	106.13	—	—	—
France (121)	83.74	−0.6	67.60	74.68	4.27	84.23	67.74	75.41	121.82	72.77	120.30
West Germany (94)	77.65	−2.9	62.69	67.64	2.73	79.96	64.30	69.79	104.93	67.78	91.51
Hong Kong (46)	97.70	−1.7	78.87	97.90	4.37	99.36	79.91	99.57	158.68	73.92	110.88
Ireland (14)	120.27	−0.8	97.09	106.25	4.31	121.30	97.55	107.46	160.22	93.50	131.44
Italy (94)	78.84	−0.7	63.65	73.01	2.64	79.37	63.83	73.74	112.11	62.99	102.29
Japan (457)	167.29	−0.7	135.05	132.50	0.53	168.40	135.43	133.80	168.40	100.00	133.11
Malaysia (36)	120.12	−1.0	96.97	118.59	3.26	121.37	97.61	119.80	193.64	93.76	132.90
Mexico (14)	136.99	+0.0	110.59	341.57	1.04	137.01	110.19	341.55	422.59	90.07	145.29
Netherland (37)	107.19	−1.4	86.53	92.10	5.00	108.70	87.42	93.61	131.41	87.70	113.93
New Zealand (23)	76.89	−2.9	62.07	63.58	5.32	79.15	63.66	63.96	138.99	64.42	96.25
Norway (24)	121.29	−2.4	97.91	103.71	2.93	124.25	99.92	106.54	185.01	95.51	125.51
Singapore (26)	110.89	−1.5	89.52	102.77	2.25	112.57	90.54	104.40	174.28	81.21	122.01
South Africa (61)	136.57	−0.8	110.25	80.69	5.26	137.70	110.75	81.35	198.09	100.00	164.66
Spain (43)	150.57	−0.3	121.55	127.81	3.31	151.10	121.51	128.43	168.81	100.00	111.45
Sweden (32)	117.53	−2.0	94.88	103.00	2.72	119.92	96.44	105.36	136.64	88.50	115.19
Switzerland (53)	82.50	−3.0	66.60	70.89	2.41	85.05	68.40	73.21	111.11	73.65	98.36
United Kingdom (327)	134.51	−1.3	108.59	108.59	4.45	136.28	109.60	109.60	162.87	99.65	132.85
USA (585)	105.52	−1.8	85.18	105.52	3.58	107.43	86.40	107.43	137.42	91.21	121.82
Europe (964)	107.38	−1.4	86.69	90.73	3.87	108.95	87.62	92.01	130.02	92.25	115.20
Pacific Basin (677)	162.59	−0.7	131.26	130.03	0.71	163.80	131.73	131.36	163.80	100.00	131.80
Euro-Pacific (1641)	140.52	−1.0	113.44	114.40	1.68	141.87	114.10	115.70	143.65	100.00	125.18
North America (711)	106.32	−1.7	85.83	105.71	3.54	108.21	87.02	107.59	137.55	91.68	122.41
Europe Ex. UK (637)	90.53	−1.6	73.09	79.56	3.35	91.97	73.97	81.01	111.97	78.89	104.29
Pacific Ex. Japan (220)	105.88	−2.3	85.48	98.43	4.11	108.40	87.18	100.27	164.03	82.92	115.74
World Ex. US (1842)	139.79	−1.0	112.85	113.95	1.76	141.15	113.52	115.25	143.38	100.00	125.90
World Ex. UK (2100)	125.79	−1.2	101.55	111.30	2.11	127.34	102.41	112.86	138.82	100.00	123.49
World Ex. So. Af. (2366)	126.49	−1.2	102.11	111.25	2.32	128.06	102.99	112.76	139.47	100.00	124.06
World Ex. Japan (1970)	107.01	−1.7	86.39	100.02	3.70	108.80	87.50	101.66	134.22	92.98	120.13
The World Index (2427)	126.55	−1.2	102.16	111.03	2.34	128.12	103.04	112.54	139.73	100.00	124.32

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Danish Stock Exchange closed in order to implement electronic trading system.

CONSTITUENT CHANGE: Hong Leong Inds. has changed name to Dao Heng Hldgs. (Hong Kong).

Latest prices were unavailable for this edition.